



2021

**UAB LTG Link
Annual Report**

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ABBREVIATIONS:

LTG – AB Lietuvos Geležinkeliai

LTG group, Group, company group – AB Lietuvos Geležinkeliai and its subsidiaries

LTG Cargo – AB LTG Cargo

LTG Infra – AB LTG Infra

LTG Link, Company – UAB LTG Link

GOV – the Government of the Republic of Lithuania

SOE – a state-owned enterprise

EU – the European Union

Annual and interim reports as well as the financial statements are available publicly on the Company's website <https://www.litrail.lt/keleiviams.lt>.

ANNUAL REPORT

CEO'S FOREWORD

Dear colleagues, customers and partners,

The mid-way of the year 2021 was still held bound by the pandemic; however, LTG Link has been confidently continuing its operations and has been moving in the rhythm of the trains towards achievement of its goals. We have adapted to the new and still changing reality, we have used the lessons learned over recent years and have been continuing creation of the culture of rail travelling.

At the beginning of the year 2021, we announced the start of probably the most important project – a public procurement for acquisition of new, comfortable electric and battery-electric trains ensuring sustainable mobility; whereas, at the end of the year, we started preparing for assessment of proposals submitted by train manufacturers. We have consulted with the largest European train manufacturers and worked to ensure that the new trains are convenient and adapted to the needs of all customers - to seniors, to parents with toddlers, to persons with reduced mobility and other individual needs. Even though this process has been put on hold for almost half a year by a lawsuit of one of the manufacturers, today we can be pleased that in court we have proved beyond any doubt that our requirements were reasonable, legitimate and intended to ensure that every person feels comfortable on the new trains.



We have continued working on seeking to propose our customers even more accessible services next year, to introduce a new generation ticketing system and modern ticketing channels. A new, user-friendly website and a mobile app are at the finish line. In addition, in 2022, we are planning to introduce to customers new ticket vending machines which will enable purchasing tickets in stations in an easier and quicker way. This is an important step for continuing to implement the increase of service availability and promotion of sustainable mobility established in the strategy. The new ticketing system is being developed in a way which would allow us to take full advantage of it, to integrate rail trips with other modes of transport and to make it possible for the customers to plan their journeys from door to door with a single ticket.

Our work on seeking for sustainability has been noticed in the Europe's largest independent brand study "Sustainable Brand Index™" – customers have recognised us as the ratings leader in the Transport / Road segment. This has showed again that our work on creating new travelling culture comprising not only convenient and safe journeys but also sustainable ones is meaningful, and it guides the whole transport sector which is moving towards becoming green.

As passenger flows have been increasing, we have consistently reinstated the routes which were previously optimised due to the pandemic. In December, when introducing new annual schedules, we were able to offer the passengers to choose from about 90% of reinstated routes of the complete annual route schedule. Together with all the team, we have been enhancing customer service culture and improving customer satisfaction. We are satisfied that the NPS indicator is 62% this year, while CSAT indicator is equal to 84%.

This year has also been exclusive with the initiatives that promote choosing to travel by trains: in summer, together with the radio station LRT OPUS we have invited to travel while listening to a special music playlist; in cooperation with the Kaunas city municipality we have created the installation of The Mythical Beast of Kaunas in the Fairy Tale Train at Kaunas Railway Station; for the fifth year, we have organised Seaside Express journeys; and we have arranged the trip in Lithuania for the creative team of the National Expedition.

To celebrate the Year of Rail we have organised an international trip-conference Connecting Europe Express Baltic on the route Tallinn–Riga–Vilnius. During this special trip, ministers of transport of the Baltic States and representatives of the European Commission have discussed on potentiality of the project Rail Baltica for sustainable mobility and economic growth. When they arrived at Vilnius, they continued their trip to Kaunas where a symbolic meeting with the train Connecting Europe Express that arrived from Lisbon throughout the entire Europe from took place. The project that brought together the whole team has been recognised internationally – at the European Railway Award 2022, Lietuvos Geležinkeliai received a certificate for meritorious achievements for organization of this event. At the year-end, we cooperated with the City Development and Tourism Agency Go Vilnius and, during the holiday season, we introduced specially decorated trains on the routes Vilnius–Kaunas and Vilnius–Klaipėda.

We expect the year 2022 to be ambitious – we plan to continue digitalisation of operations, development of the operational management centre project, and procedures of acquisition of electric trains. We will also present a new ticketing system, we will work on the issue of organising the expected international route Vilnius-Warsaw, and, by our everyday activity, we will promote probably the most sustainable mode of transport – the trains.

We are moving forward and creating new, improved travelling experiences; thus, I am inviting to follow the news - I am sure that numerous good developments are yet to come.

LINAS BAUŽYS
Chief Executive Officer
UAB LTG Link



BASIC INFORMATION ON THE COMPANY

Company name	UAB LTG Link
Legal address	Geležinkelio g. 16, LT-02100, Vilnius
Legal form	Private Limited Liability Company
Date and place of registration	28/02/2019, the Register of Legal Entities of the Republic of Lithuania
Company code	305052228
Phone	8 700 55 111
E-mail	info@ltglink.lt
Website	www.litrail.lt/keleiviams ; www.traukiniobilietas.lt
Core business	Passenger and luggage transport by rail and other related services
Company's Chief Executive Officer	Linas Baužys
Shareholders	100% of shares is owned by AB Lietuvos Geležinkeliai

THE COMPANY'S BRANCHES, REPRESENTATIVE OFFICES ABROAD

The Company did not have branches or representative offices during the analysed period.

ACTIVITY OF THE COMPANY

Operating model of the Company

On 28 February 2019, UAB LG Keleiviams was registered with the Register of Legal Entities, to which the activity of the Passenger Transportation Directorate of AB Lietuvos Geležinkeliai was transferred from 1 September 2019. On 21 July 2020, a new company name was also registered – UAB LTG Link.

The main activity and services rendered

LTG Link is a licenced railway company engaged in transportation of passengers on domestic and international routes. The Company also ensures transit journeys from the border with Belarus to the region of Kaliningrad.

The Company performs specific obligations of the State ensuring public services of passenger transportation by rail transport and (or) combined transportation of passengers on domestic routes.

Services rendered by UAB LTG Link are as follows:

- domestic passenger transport services by rail;
- international passenger transport services by rail;
- carriage of post and luggage within the territory of Lithuania and abroad;
- carriage of bicycles and animals within the territory of Lithuania;
- arrangement of charter journeys;
- lease and sale of rolling stock;
- advertising services;
- services in stations (luggage storage, carriage of parcels, sale of travel tickets as well as food and drinks);
- services on trains (sale of travel tickets, sale of food and beverages).

Infrastructure

As at 31 December 2021, the carrying amount of vehicles (including rolling stock) of LTG Link was EUR 120.9 million, while the carrying amount of the remaining non-current assets was EUR 6.5 million.

Market

The main market of LTG Link includes passenger carriage services in the territory of the Republic of Lithuania and abroad. Passengers are carried on 21 domestic and 3 international transport journeys.

Lithuanian market

Historically, passenger transport by railway competes with other modes of transport. The greatest level of competition to passenger transportation by rail is caused by cars – in 2020, domestic passenger transport by road comprised 97.6% of total domestic passenger transport; whereas passenger transport by rail comprised 1.3%. international passenger transport by road comprised 35.8%, by sea – 31.6%, and by rail- 20.8%.¹ of total international passenger transport.

In 2021, the market share of passenger transport by rail remained small. According to the data of Statistics Lithuania of the first three quarters of 2021, the market share of passenger transport by rail accounted for 2%.²

In 2021, 3.9 million passengers were transported on domestic routes, that is, 95.5% of all passengers transported by rail during that period. Routes which had been suspended in 2020 due to the COVID-19 pandemic were not yet resumed in 2021. In the end of 2021, as many as 21 out of 211 domestic train journeys were not resumed. Compared to 2020, the number of passengers increased by 24.5%; however, the domestic transportation volumes of the period before the pandemic (2019: 4.5 million passengers) have not been reached yet.

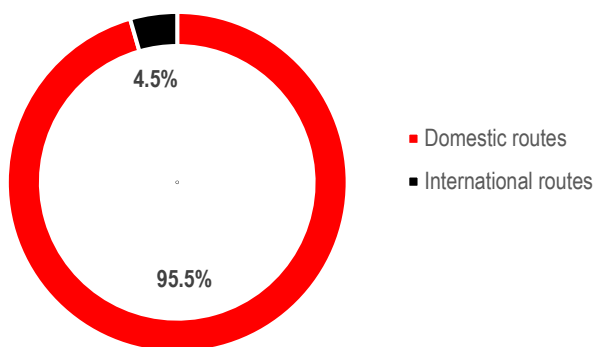
¹ Lietuvos statistikos departamento duomenys

² Data of the Statistics Lithuania

International market

During 2021, 4.5 million passengers were transported on international routes, that is, 5.0% of all passengers transported by rail during that period. During 2021, international transportation consisted of passenger transportation by transit trains through the territory of the Republic of Lithuania in communication with Kaliningrad region. Due to the corona virus (COVID-19) pandemic, from 2020, transit trains have been organised taking into consideration the restrictions on the number of passengers per trainset established by the Republic of Lithuania. As at the end of 2021, 6 out of 26 international transit journeys were reopened. Transportation of passengers by trains formed by UAB LTG Link was not carried out.

Market segments of passenger transport by rail in 2021, %



Major customers

Residents of Lithuania and other countries use services rendered by the Company.

The Law on Transport Privileges provides for incentives encouraging socially disadvantaged groups, eligible for purchasing tickets with a discount of 80% and 50%, to travel by train. This activity is subject to grants from the state budget, by compensating the deprived income due to transporting passengers on domestic transport routes under privileged conditions.

Seeking to attract more customers, the Company extends service offers for various passenger groups: families, students, business representatives, lovers of active leisure time. In 2021, due to the COVID-19 pandemic, movement of people was restricted and the quarantine was introduced in Lithuania in the first half of 2021; however, the railway transport remained the most reliable mode of public transport for commuters or other necessities.

MANAGEMENT OF THE COMPANY

INFORMATION ABOUT SHARES AS AT 31 DECEMBER 2021

Amount of authorised capital, Eur	Number of shares, pcs.	Par value per share, Eur
143,590	156,237	919.05

The sole shareholder of the Company is the parent company AB Lietuvos Geležinkeliai.

All the shares are of the same class, i. e. ordinary registered shares. The shares are intangible, they are recorded in Personal Securities Accounts in accordance with the procedures established by legislation. The Company does not have preference shares issued.

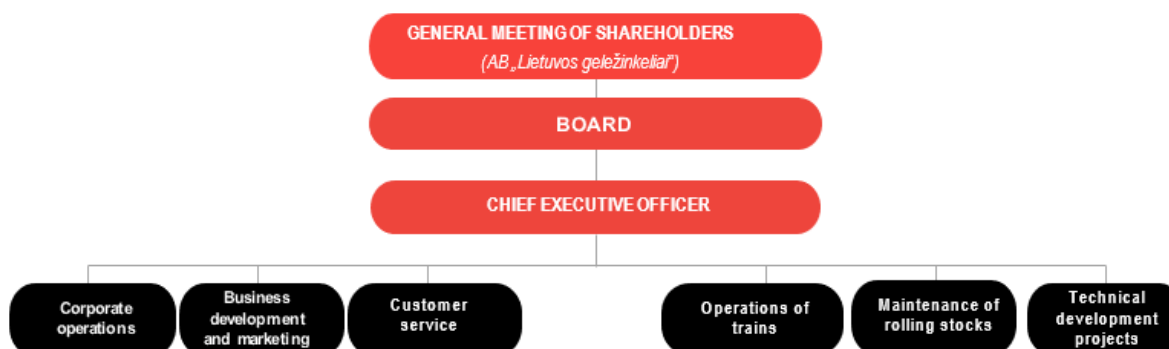
During the reporting period, the Company did not acquire its own shares or shares of other Group companies.

MANAGEMENT AND ORGANISATIONAL STRUCTURE OF THE COMPANY

LTG Link is a company of AB Lietuvos Geležinkeliai company group, the sole shareholder whereof is the parent company AB Lietuvos Geležinkeliai. The shareholder of AB Lietuvos Geležinkeliai is the State which controls 100% of shares. The Shareholder's rights and obligations are implemented by the Ministry of Transport and Communications of the Republic of Lithuania.

In seeking for long-term growth in value of AB Lietuvos Geležinkeliai Group companies, rational and effective utilization of funds, assets and other resources as well as fulfilment of the shareholder's expectations and interests, the operating model of the companies group AB Lietuvos Geležinkeliai is oriented towards refining the principal activities and focusing thereof in subsidiaries. Being a part of the company group AB Lietuvos Geležinkeliai, LTG Link is responsible for implementation of principal activities and achievement of the set goals of operation. In order to implement the raised goals and ensure appropriate management, in its activities LTG Link is independent, it makes relevant decisions and ensures reporting and responsibility for operating results.

In its activities the Company follows the Law on Companies of the Republic of Lithuania, the Company's Articles of Association, decisions of the governing bodies of the Company, and other legal acts of the Republic of Lithuania governing the activities of the Company including the activities of the state-owned enterprises.



ARTICLES OF ASSOCIATION OF THE COMPANY

The Company's Articles of Association is the principal document that the Company follows in its activities.

A new version of the Articles of Association was registered on 22 November 2021 whereby the number of the Board members was reduced to 3, supervisory duties of head of the Board and the Board's competence to consider the most important activity issues of subsidiaries were enshrined.

The Articles of Association of LTG Link are available on the Company's website at <https://www.litrail.it/594>.

The Articles of Association of LTG Link are amended under the decision of the general meeting of shareholders by a qualified majority of votes, which shall be at least 2/3 of votes conferred by all shares held by all the shareholders participating in the meeting.

GOVERNING BODIES OF THE COMPANY

The following governing bodies of the Company are set out by Articles of Association:

- General meeting of shareholders;
- Board;
- Chief Executive Officer – Director General.

General meeting of shareholders – is the supreme governing body of the Company. The competence of the general meeting of shareholders, the procedure of its convening as well as resolution-passing is established by the Law on Companies, other legislation as well as in the Articles of Association of the Company.

The sole shareholder of LTG Link is AB Lietuvos Geležinkeliai which adopts the main decisions related to implementation of property rights and obligations.

The Company has not issued preference shares. During the reporting period, the voting right was not restricted.

In accordance with the Company's Articles of Association, an additional competence of the general meeting of shareholders is to endorse the decisions of the Board of LTG Link regarding the following:

- investment of the Company-owned property and facilities of importance to ensuring national security, conclusion of purchase or sale, or any other transfer of ownership, pledge or mortgage transactions;
- the Company's non-current assets the carrying amount of which exceeds EUR 300 thousand:
 - investment in the Company's group companies or third parties, disposal or lease of those assets;
 - pledge or mortgage;
 - sureties or guarantees for fulfilment of other parties' obligations;
 - acquisition of non-current assets;
 - conclusion of other transactions.
- conclusion of a public service agreement on the passenger transportation and approval of the essential terms thereof;
- participation or establishment of other legal entities;
- commencing activities of new nature or terminating the Company's current activities if the respective decision has not been adopted in approving the Company's strategy.

During the reporting period, the property and non-property rights of the shareholder were not restricted, no special rights are intended to be granted to the shareholder.

Key decisions of the general meeting of shareholders in 2021:

1. the Company's financial statements for the year 2020 were approved;
2. the Company's retained profit (loss) to be distributed for 2020 was distributed;
3. the Company's Articles of Association were amended.

Board – is a collegial governing body, set out in the Articles of Association of the Company, consisting of 3 members. The members of the Board are elected by the general meeting of shareholders for a term of 4 years. The Management Board elects the chairman of the management Board from its members. The same person may be elected as a member of the Board no more than for two consecutive offices.

The Board is accountable to the general meeting of shareholders.

The competence of the Board meets the competences of boards laid down in the Law on Companies and the additional competences of the Board set forth in the Articles of Association of the Company.

Additional competence areas of the Board:

- To approve the operating strategy and long-term goals, investment and operational plans, and budget of LTG Link;
- To establish the performance indicators of LTG Link;
- To adopt decisions on investment of the Company-owned property and facilities of importance to ensuring national security, conclusion of purchase or sale, or any other transfer of ownership, pledge or mortgage transactions;
- To adopt decisions on the Company's non-current assets the carrying amount of which exceeds EUR 300 thousand:
 - pledge or mortgage;
 - sureties or guarantees for fulfilment of third party's obligations;
 - acquisition of non-current assets;
 - conclusion of other transactions.
- To adopt decisions on participation or establishment of other legal entities;
- To adopt decisions on commencing activities of new nature or terminating the current activities of LTG Link;
- To approve the form of the employment contract of the Company's executive, conditions of remuneration and incentives;
- To approve the total amount of incentives to LTG Link employees for annual performance (in accordance with the Company's performance);
- To consider information on the Company's key operational risks and approval of the Company's plan of operational risk management;
- To consider information and reports on the Company's ongoing programmes;
- To analyse and assess other information on the most significant operational issues of the Company provided by the executive of LTG Link.

Office term of the Board – 25 February 2019 – 25 February 2023.

The Board of LTG Link has been composed in compliance with the legal regulation of the Railway Transport Code of the Republic of Lithuania effective at that time, according to which only employees of the company group of vertical integration shall be elected members of collegial governing bodies of companies established by AB Lietuvos Geležinkeliai (Article 24³(4)). In that regard, the Board of the Company consists of the employees of LTG Group.

Members of the Board do not own shares of the Group companies.

Twelve Board meetings took place during the reporting period.

COMPOSITION OF THE COMPANY'S BOARD



MANTAS BARTUŠKA

Chairman of the Board
Held the office from 29/11/2019 to
03/01/2022

Education

- University of Southern Denmark, Bachelor's degree in Management and Business Administration;
- Vilnius University, Bachelor's degree in Management and Business Administration;
- Cambridge University, Business School, Leadership Studies;
- Baltic Institute of Corporate Governance, study programme for board members.

Main employer, position held

Chief Executive Officer of AB Lietuvos Geležinkeliai, Geležinkelio g. 16, Vilnius, company code 110053842.

Other positions held

Chairman of the Board of UAB LTG Cargo, Geležinkelio g. 12, Vilnius, company code 304977594;

Board Member of AB Klaipėdos Nafta, Burių g. 19, Klaipėda, company code 110648893.



LINAS BAUŽYS

Board member
Held the office from 25/02/2019 to
04/11/2021

Education

- Šiauliai University, Bachelor's degree in Business Management;
- Klaipėda University, Master's degree in Transport Engineering;
- Baltic Institute of Corporate Governance, study programme for board members, study programme for chairmen of boards;
- ISM University of Management and Economics, Executive MBA.

Main employer, position held

Chief Executive Officer of UAB LTG Link, Geležinkelio g. 16, Vilnius, 305052228.

Other positions held

Independent member of the Board of the municipal enterprise 'Susisiekimo paslaugos', Žolyno g. 15, Vilnius, company code 124644360;

Independent member of the Board of UAB Busturas, Šarūno g. 2, Šiauliai, company code 144127993.



DAIVA PIVORIŪNIENĖ

Board member
Appointed from 29/11/2019

(Also held the office of the Board member from 25/02/2019 until 25/03/2019)

Education

- Vilnius Gediminas Technical University, Bachelor's degree in Transport Management and Engineering;
- Vilnius University, International School of Management, Master's degree in International Business Law;
- Baltic Management Institute, International Executive MBA, Business Administration.

Main employer, position held

Head of Asset Management Services Centre of AB Lietuvos Geležinkeliai, Geležinkelio g. 16, Vilnius, company code 110053842.

Other positions held

Director and Board member of the public enterprise, the Railway Logistics Park Švitrigailos g. 39, Vilnius, company code 302674602.



DOVILĖ ALEKSANDRAVIČIENĖ

Board member
Held the office from 25/03/2019 until
04/11/2021

Education

- Vilnius University, Bachelor's degree in Sociology;
- Vilnius University, Master's degree in Information Society;
- ISM University of Management and Economics, Executive Studies.

Main employer, position held

Director of Business Development and Marketing Department of UAB LTG Link Verslo, Geležinkelio g. 16, Vilnius, company code 305052228.

Other positions held

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MANTAS DUBAUSKAS

Board member, chairman
Held the office as a Board member
from 29/11/2019 to 06/01/2022
Appointed as the chairman of the
Board from 06/01/2022

Education

- Vilnius Gediminas Technical University, Bachelor's degree in Business Management;
- Vytautas Magnus University, Master's degree in Business Management;
- Baltic Management Institute, International Business Management Programme for Executives.

Main employer, position held

Director of Communication of AB Lietuvos Geležinkeliai, Geležinkelio g. 16, Vilnius, company code 110053842.

Other positions held

Member of the Board of Lithuanian Exhibition and Congress Centre LITEXPO, UAB, Laisvės pr. 5, 04215, Vilnius, company code 120080713;

Member of the Council of the Lithuanian Business Confederation, Gedimino pr. 2/1 – 28, Vilnius, company code 110063950.

CHANGES IN THE COMPOSITION OF THE BOARD DURING THE REPORTING PERIOD

The mandate of the member of the Board expired for Linas Baužys and for Dovilė Aleksandravičienė on 4 November 2021. On 3 January 2022, the mandate of the chairman of the Board ended for Mantas Bartuška. Mantas Dubauskas has been approved as the chairman of the Board from 6 January 2022.

PARTICIPATION IN MEETINGS OF THE BOARD IN 2021

Name, surname of a member	Board meetings
Number of meetings in 2021 (including away days, early-voting in writing)	12
Mantas Bartuška	12
Mantas Dubauskas	12
Linas Baužys	11
Daiva Pivoriūnienė	12
Dovilė Aleksandravičienė	11

MOST IMPORTANT DECISIONS ADOPTED IN 2021

- Approval of the Company's annual report for the year 2020;
- approval of the financial statements of the Company for the year 2020;
- establishment of the Company's principal performance indicators for 2021 and Chief Executive Officer's goals;
- endorsement of the Company's interim financial statements for a period of six months ended 30 June 2021;
- change in the organizational structure of the Company;
- adoption of a decision on development of the system of qualification assessment of passenger train suppliers.
- the business plan (the budget) for 2022 was approved.

Chief Executive Officer (Head of the Company) – is the sole executive body who is responsible for organization of day-to-day business of the company. The competence areas of the CEO are defined by the Law on Companies of the Republic of Lithuania and the Articles of Association of the Company. The CEO is elected for a term of 5 years by the Board of the Company to which the CEO is accountable. The same person may be elected as the Chief Executive Officer no more than for two consecutive office terms.

The first term of five years of the CEO of LTG Link started from 28 February 2019.

MANAGEMENT OF THE COMPANY

LINAS BAUŽYS	Chief Executive Officer	Holds the position from 28 February 2019
GEDIMINAS ŠEČKUS	Head of Corporate Operations Department	Holds the position from 1 April 2019
DOVILĖ ALEKSANDRAVIČIENĖ	Head of Business Development and Marketing Department	Holds the position from 1 September 2019
AURELIJUS BOLDINOVAS	Head of Train Operations Department	Holds the position from 1 September 2019
DARIUS SEBECKIS	Head of Train Maintenance Department	Holds the position from 8 January 2021
ITA BRAŽINSKIENĖ	Head of Customer Services Department	Holds the position from 1 December 2021
DOMANTAS GRIGAS	Head of Technical Development Projects Department	Holds the position from 1 May 2020

Before holding the position of the Chief Executive Officer of the Company from 2017, Linas Baužys held the position as head of Passenger Transportation Directorate of AB Lietuvos Geležinkeliai. Linas Baužys also holds the following additional managerial positions:

- Member of the Board of the municipal enterprise Susisiekimo Paslaugos (Žolyno g. 15, Vilnius, company code 124644360) (since 10 January 2022);
- Board member of UAB Busturas (Šarūno g. 2, Šiauliai, company code 144127993) (since 10 November 2021).

Information on education of the Company's Chief Executive Officer:

- Klaipėda University, Master's degree in Transport Engineering;
- Baltic Institute of Corporate Governance, study programme for board members, study programme for chairmen of boards;
- ISM University of Management and Economics, Executive MBA.

As at the end of the reporting period, members of the Board, the CEO, managers of the Company have submitted declarations on private interests, which can be found in the Register of Private Interests of the Chief Official Ethics Commission. There were no conflicts of interest between the members of the Board, the CEO and managers of the Company during the reporting period.

INFORMATION ON REMUNERATION OF BOARD MEMBERS AND THE COMPANY'S CHIEF EXECUTIVE OFFICER

Components of the Company's Chief Executive Officer's remuneration:

1. **Basic monthly salary.** The Company's Chief Executive Officer's basic monthly salary set out in the employment contract amounted to EUR 8,300 as at the end of the reporting period. The Company's Chief Executive Officer's basic monthly salary increased by 1% from EUR 8,200 to EUR 8,300 as at the end of the reporting period.
2. **Annual incentives.** The annual variable remuneration (annual incentive) which is directly connected with achievement of annual goals and dependent on actual achievement of the established annual indicators **might be** paid to the Company's Chief Executive Officer in addition to the basic monthly salary. Each year, the Board of the Company approves the structure of annual goals of the Company, threshold values for their achievement and benchmarks, and after the end of year the Board of the Company approves the results of achievement of these objectives and the possibility of paying an annual incentive.

The maximum amount of the variable annual incentive is up to 30% of the annual basic salary. The maximum monthly proportion (i.e. 1/12) of the annual incentive shall not exceed EUR 2,490. In 2021, a monthly portion (1/12) of the annual incentive to the Company's CEO for achievement of the goals of the year 2020 amounted to EUR 2,083.

Board members delegated by the shareholder AB Lietuvos Geležinkeliai do not receive remuneration for their activity at the Board.

STRATEGY

LTG company group plans its activity not only in the short-term perspective but also in the long-term one. As both internal and external environment is constantly changing, the long-term strategy is reviewed and updated on an annual basis. As at the end of 2021, LTG management approved the updated the Sustainable Growth Strategy 2040 of AB Lietuvos Geležinkeliai.

Seeking for a stronger focus of the strategic lines and goals of the long-term corporate strategy on specific activities managed by LTG company group, long-term strategies of individual business units of LTG are prepared and updated annually. One of them is the **long-term strategy of LTG Link until 2040** which was approved by the Board of LTG Link at the end of 2021.

MISSION, VISION AND STRATEGIC DIRECTIONS



MISSION – We connect people and businesses through creating new culture of train travel.



VISION – To become travellers' first choice appreciated for high-quality services, efficiency and management of activity.

STRATEGIC OPERATIONAL DIRECTIONS:

1. First choice for travellers.

To improve people's opinion on rail passenger transport, to become travellers' first choice appreciated for high-quality services, efficiency and management of activity, and to ensure adaptation of railway services to the principles of universal design.

2. Performance efficiency of highest quality.

To ensure financial stability by improving performance efficiency, optimising asset use, increasing value created by employees and their efficiency in management of operational expenses.

3. Business development.

To carry out development from the primary services and products abroad and from secondary services and products in stations and on trains for the purpose of strengthening competitiveness.

4. The Green Deal.

To establish a standard of sustainability and going green in the area of passenger transport by contributing to climate neutrality objective of the EU and the Republic of Lithuania.

5. Comprehensive safety

To apply the principle 'Safety Above All' ensuring high level of road safety, occupational safety and business safety.

6. Strong organisational culture.

To develop respectful and transparent business culture, increase maturity of the organisation, that would allow ensuring successful implementation of the Strategy.

STRATEGIC PROJECTS FORESEEN:

- purchase of electric trains;
- installation of ticketing system.
- establishment of the Operational Management Centre for Passenger Transport (OMC);
- organisation of a direct route 'Vilnius-Warsaw';
- modernisation and adaptation of passenger depot to new rolling stocks;
- Electronic storages – for luggage storage and parcel transportation services;
- Solution for journeys 'from-door-to-door';
- Rail Baltica.

IMPLEMENTATION OF GOALS IN 2021

Main goals	Indicators for measurement of achievement of goals	Measuring units	Planned for 2021	Achieved in 2021
Increase the value created by LTG Link	Revenue of LTG Link	EUR million	50-57	57
Increase flows of transported passengers	Turnover of passengers transported	Kilometres of millions of passengers	260-419	329
Improve customer satisfaction	Customer satisfaction regarding passenger transport (CSAT)	percent	>78	84

MAJOR PROJECTS IMPLEMENTED IN 2021:

Acquisition of electric trains

- The project has been approved by the LTG Board and included in the Strategic Projects Programme.
- Procurement was announced in April, which was suspended for five months following an a complaint lodged by the supplier regarding strategically important procurement requirements of LTG Link until the final court decision by which the complaint was rejected in
- In the beginning of October, the procurement procedures were resumed.

Establishing and implementing the PSO contract with the institution authorised by the Government

- The essential terms of the draft long-term Public Service Obligation (PSO) contract (a 10-year contract under which the State would outsource passenger services from the carrier) were negotiated with the Ministry of Transport and Communications and other interested bodies.

Ticketing system

- In 2021, subsequent to completion of public procurement procedures, a contract was signed with UAB Fortevento and UAB Turnit to install a new ticketing system.
- Work on system design and programming was performed.
- Testing of the system was started in November, and the new system is scheduled to be launched in the first half of 2022.
- Parallel procedures for the procurement of ticket vending machines are performed.

Comprehensive adaptation of services for passengers with individual needs

- Joining the global international Sunflower Initiative (The Hidden Disabilities Sunflower).
- 16 sign-language educational videos were produced in cooperation with the Lithuanian Deaf Youth Association (LKJA).
- Joining members of a memorandum on Adaptation of Vehicles and Transport Physical and Information Infrastructure to Persons with Individual Needs. In this way, commitments to increase availability of railway services to persons with individual needs, agreed with the Lithuanian Disability Organisations Forum and the Ministry of Transport and Communications already in 2019, were confirmed.
- Carrying out of focus group discussions with three types of passenger groups with individual needs (passengers with reduced mobility, passengers with visual or hearing impairments, passengers with special children): clarification of needs and expectations was carried out.
- A new standard for train markings has been developed, taking into account suggestions from persons with individual needs.

International development

- On the basis of a Letter of Intent signed in 2021, LTG Link and the Polish carrier PKP Intercity have been working in joint working groups to coordinate the opening of the Vilnius-Warsaw route: timetable, pricing, rolling stock. The aim of the route is to provide a daily connection between the two capitals, tailored to the needs of passengers: one change, one ticket, journey time - 8 hours.
- The dialogue with the Ministry of Transport and Communications of the Republic of Lithuania and the Ministry of Transport of Latvia on the Vilnius - Riga passenger connection has been continued. Celebrating the year 2021 as the European Year of Railway, LTG Link in cooperation with partners in Estonia and Latvia have joined the initiative of the European Commission "Connecting Europe Express" and have organised the special train travelling on the route Tallinn – Riga – Vilnius, the implementation therefor the train Pesa 730 ML of LTG Link was used.

Establishment of the Operational Management Centre for Passenger Transport (OMC)

- A new operations management business model has been developed, incorporating planning and control of operations.
- A contract was signed with IVU Traffic Technologies within the scope of the OMC project; the acquired IT system will help automate the established business model.
- Upon establishment of the Operations Management function, the organisational transformation part of the project was successfully completed.
- Installation of the system is in progress. The system is planned to be available for use in 2022.

Installation of a new passenger train depot / Adaptation of the existing depot

- Analysis of site alternatives was carried out, application to RB Rail AS Lithuanian Branch regarding compensation for relocation from the site at Švitrigailos street was made.
- In 2022, solutions regarding passenger train depots are continued to be developed. The project is at the stage of planning.

CLIMATE CHANGE RISKS AND IMPACT ON COMPANY'S OPERATIONS

The LTG Group pays particular attention to environmental protection in implementing the strategic objectives and sustainability management priorities set out in the **LTG Sustainable Growth Strategy 2040**. One of the key strategic activities of the Group and its individual companies is the **Green Deal**.

In 2021, the Group adopted the **Environmental Protection Strategy 2030+**, which identifies the Group's environmental priorities and areas where the activities of the Group companies have an impact, or have the potential to have an impact, as well as setting specific targets to reduce these impacts. The strategy has been developed in the light of national legislation, international agreements (Paris Agreement on Climate Change, European Green Deal) related to environmental protection, including climate change.

One of the objectives of the Environmental Protection Strategy is **climate change mitigation and adaptation** - the Group is committed to sustainable development, reducing CO₂ emissions and adapting to climate change. By 2030, the Group aims to reduce total CO₂e emissions from rail transport by 30% and specific CO₂e emissions from freight and passenger transport by 50% compared to 2005. By 2050, the Group aims to become climate neutral in all its activities.

Rail transport is recognised as one of the most environmentally friendly modes of transport in the European Union. In the long term, the gradually increasing preference of private and corporate customers for more sustainable and environmentally friendly products and services is likely to have a positive impact on the Group's operations. Increasing environmental and taxation requirements may eventually give rail transport a competitive advantage over other less environmentally friendly modes of transport.

The Company has not currently identified any assets used in its operations that may be affected by climate-related events or factors. **The Environmental Protection Strategy 2030+** also includes an objective related to the assessment of measures to adapt to climate change and its impacts and to increase the resilience of railway infrastructure to climate change.

The main strategic provisions, activities and objectives are also translated into the long-term strategy of the Company, linked to the achievement of the Group's sustainability objectives. Environmental objectives are included in the annual objectives of the Company's managers and employees, and the achievement of the indicators that measure them is monitored and is relevant to the assessment of the Company's performance and results.

The long-term strategy of LTG Link includes investment in "green" projects that will help to significantly reduce climate change and environmental impacts:

- investment projects related to the electrification of the rail network (infrastructure, rolling stock) to reduce CO2 emissions;
- rail development projects (Rail Baltica, intermodal terminals, etc.) to attract and shift freight and passengers away from the roads and towards the much more environmentally friendly rail transport;
- other asset renewal projects (rolling stock modernisation, etc.) that reduce pollution.

During the reporting period, the Company did not have any financial commitments related to ESG (Environmental, Social and Governance) indicators. It has also not been exposed to any legal proceedings or complaints related to climate change events and has not incurred any additional costs that have had a material impact on the financial statements.

Environmental activities on the LTG Group level are implemented by a centralised corporate Environmental Protection function, which, together with the Risk Management function, monitors changes in the regulatory framework. During the reporting period, no risks and uncertainties have been identified in relation to the changing legal framework (likely to result in stricter environmental requirements) and there is no doubt about the Company's ability to continue its operations.

KEY EVENTS IN 2021

JANUARY

- Family Card discount extended: card holders get a 20% discount on local trains in Lithuania.
- The company joined the POLA programme.

FEBRUARY

- Reinstatement of trips. On 5 February, 2 trips on the Vilnius-Klaipėda-Vilnius route were reinstated. From 28 February to 1 March, 8 services were reinstated: more trains started running between Vilnius and Kaunas, Kaunas and Kybartai, Radviliškės and Mažeikiai, and the Vilnius-Marcinkonys-Vilnius route was rescheduled.
- A contract has been signed with the German company IVU Technologies to significantly digitalise the Company's operations by introducing an Integrated Resource Planning and Operational Management System (IRPOMS). The contract is worth more than EUR 2.6 million for a period of five years, with an option to extend it.
- The Company celebrated Lithuanian State Reinstitution Day with a Tricolour Train - a tricolour-lit train ran between Vilnius and Kaunas.

MARCH

- Sustainable Brand Index™ ranking of Europe's sustainable brands recognises the company as the leader in the Transport / Road segment in Lithuania.
- The Company has signed a contract with UAB Fortevento and the Estonian company Turnit to implement a new ticketing system.
- On the occasion of World Earth Day, an electric train decorated with nature motifs by artists started running between Vilnius and Kaunas.
- 41 local train routes reinstated, 11 train routes rescheduled.
- Restrictions on inter-municipal movement were back in Lithuania. Checks on travellers were carried out at stations from 1-5 April. The Company refunded the full ticket price to all those who cancelled non-essential journeys over the Easter weekend.

APRIL

- The Company joined the global Hidden Disabilities Sunflower initiative. The aim is to make travel easier for people on the autism spectrum, with visual or hearing impairments that are not always clearly visible. A sunflower sign, which is available free of charge at all passenger rail stations, tells people that they may need help or more time.
- The Qualification phase of the New Trains Procurement Project has been completed, with major European train manufacturers invited to submit their bids and participate in the procurement.
- Vilnius Railway Station opened a renewed Information Centre.

MAY

- A campaign called "Žaumo LINK" intended to promote and educate about sustainable train travel was launched.
- The fifth season of Seaside Express was started.
- One of manufacturers appealed in court against the conditions of the electric train procurement; by the decision of the court, public procurement procedures have been put on hold.

JUNE

- The Company joined the Lithuanian Passenger Transport Association.
- The LTG Link team and the radio station LRT OPUS created a unique playlist for travellers for the summer travel season.
- On the route Klaipėda-Šilutė-Klaipėda, evening trips were restored until 3 October.
- Record heat on the hottest days led to train speed restrictions.

JULY

- In cooperation with Kaunas City Municipality, the installation of The Mythical Beast of Kaunas in the Fairy Tale Train was launched at Kaunas Railway Station.
- Implemented partnership with the creative team of the National Expedition, by arranging their trip to Lithuania.

AUGUST

- The first meeting of the new Board of Lietuvos Geležinkeliai AB (LTG) took place. During the meeting, the Board members familiarised themselves with the activities of LTG Link and other companies of the LT Group, as well as the main projects.
- Having estimated the change in prices of energy and other resources since 2017, fares on domestic routes and fare coefficients applicable to international routes were reviewed.

SEPTEMBER

- An LTG Link train route was opened between Vilnius-Tallinn and Vilnius. This trip, which was carried out with the train PESA 730 ML owned by LTG Link, was dedicated to celebrate the European Year of Railway. By this special train among Tallinn – Riga – Vilnius it not only has been joined to the initiative “Connecting Europe Express” of the European Commission but it has been also demonstrated that it is possible for a single train to travel throughout all the Baltic States despite any legal and technical differences. The special train has been the first one to connect all the three Baltic States since their independence in 1990-1991.
- Based on the Government resolution, an exception defining that an ‘Opportunity Passport’ is not required for travelling on public intercity transport, was made. Therefore, even after 13 September, our passengers, including colleagues travelling to work by train, can still get on trains without an ‘Opportunity Passport’.
- One of the most important projects of the LTG Link team - the acquisition of new electric trains - is moving forward. The Lithuanian Court of Appeal rejected the supplier's appeal and upheld the original court's decision - LTG Link has won the legal dispute in full, defending its claims and seeking to acquire new trains that are comfortable, safe and adapted to all passengers, including those with individual needs, reduced mobility, families with toddlers or seniors.

OCTOBER

- A contract on the State budget funds was signed. A funding of EUR 37.0 million for 2021 was assigned.

NOVEMBER

- Two trains running Vilnius-Kaunas-Vilnius and Vilnius-Klaipėda-Vilnius were festively decorated in cooperation with Vilnius City Development and Tourism Agency "Go Vilnius".

DECEMBER

- The new annual timetables entered into force on 12 December, with around 90% of the full annual timetable restored. The timetables have been improved following an assessment of passenger demand, a careful analysis of passenger flows and forecasts for 2022. The new annual timetables have been further developed with a focus on more convenient connections to major cities, smoother frequencies and faster journeys.
- The State Budget Financing Agreement was signed for 2021, providing for an increased financing up to EUR 39.1 million, taking into account the premium for 2020 of EUR 1.2 million.

SUBSEQUENT EVENTS

- After the end of the reporting period, there were no significant events in the Company.

IMPACT OF COVID-19 ON THE COMPANY'S ACTIVITY

A number of sectors in the country were still affected by the ongoing global pandemic of corona virus (COVID-19) in 2021. In January-June, the constantly changing quarantine conditions were in force in Lithuania, interurban movement was controlled during the holiday season, the number of passengers on trains of domestic routes was restricted by ensuring that passengers sat at a safe distance from each other, also the sale of food on trains was not allowed. The journeys of international trains were suspended from the middle of March 2020, only 6 transit journeys were resumed by the end of 2021.

The Company continues to monitor the current situation and is constantly reviewing and planning new business continuity and assurance measures in response to changing circumstances:

- additional occupational safety and preventive measures to staff working in stations, trains and train depots are applied;
- restrictions on the movement of employees and their work in the Company's corporate offices and other premises are imposed;
- computerised work places and technical means to work remotely in order to maximise protection against potential virus risks are used;

- the designated responsible personnel continue to monitor the situation and keep the Company's management and employees informed of the latest decisions of the Government of the Republic of Lithuania, the latest recommendations of the World Health Organisation regarding the risk of the virus, and the latest information on the current threats and measures to mitigate them;
- trains are regularly disinfected and passengers and staff are provided with personal protective equipment.

LTG Link continuously assesses potential liquidity and credit risks and measures to manage them:

- the ability to borrow within the Group through a cash pool;
- the adequacy of the limit on borrowing through cash pool to ensure sufficient working capital requirements;
- additional measures taken for enhanced cost control.

In the opinion of the Company's management, the adverse circumstances arising due to the virus do not call into question the continuity of the Company's operations and do not alter the Company's long-term plans and objectives.

LTG Link assesses the situation in a positive manner and does not change its long-term strategic directions, and it reviews the measures which should ensure the achievement of these goals or adjust them taking into consideration external and internal circumstances.

THE IMPACT OF THE MILITARY ACTIONS OF THE RUSSIAN FEDERATION IN THE TERRITORY OF UKRAINE ON THE COMPANY'S OPERATIONS

On 24 February 2022, the Russian Federation started active military actions in Ukraine. The military actions in Ukraine have led to a situation that is difficult to predict not only in Ukraine but also in many countries, and that will affect all business sectors.

A decree of the President of the Republic of Lithuania imposes a state of emergency on the entire territory of Lithuania for the period from 24 February 2022 to 10 March 2022. The Government is proposed to take a decision to deploy the State Reserve and to ensure enhanced protection, including cyber protection, of significant enterprises, installations and assets of national security importance, as well as of objects of national importance and risk.

On 24 February 2022, the United States, the United Kingdom and the European Union imposed sanctions against Russia. The European Union sanctions include punitive measures against the financial, energy and transport sectors of the Russian Federation, as well as trade restrictions on dual-use goods, export and its financing.

Given the unpredictable nature of the situation related to the military action in Ukraine and the rapidly evolving nature of the actions of the Lithuanian and other governments, it is difficult to reliably assess the potential impact on the annual results. The Company's management cannot exclude the possibility that the sanctions imposed on the Russian Federation, the increase in their severity, or the negative impact of such measures on the economic environment in which the Company operates will not have a negative impact on the Company's financial position and results of operations in the medium-term and the long-term.

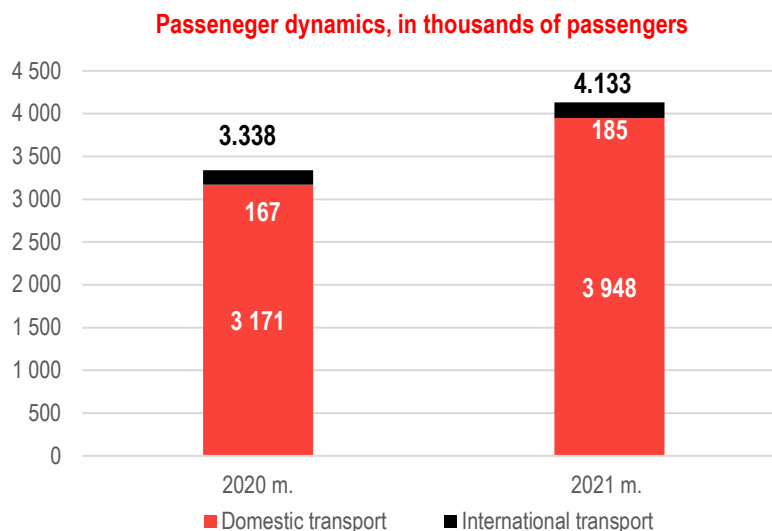
A significant portion of the Company's revenue, not taking into account the grants from the state budget, comprises income from passenger transportation by transit trains to (from) Kaliningrad (in 2021, it comprised 30% of transportation revenue). Suspension of this transportation would affect the increase in loss in passenger transportation by domestic trains and the need for additional grants from the state.

In addition, the announced plans of the USA and the European Union to disconnect the Russian Federation and the Republic of Belarus from the international settlement system SWIFT causes a risk related to settlement of those countries for the rendered services.

OVERVIEW OF THE KEY PERFORMANCE INDICATORS

VOLUMES OF PASSENGER TRANSPORTATION

LTG Link has been engaged in passenger transportation since 1 September 2019. The total number of rail passengers during 2021 increased by 23.8% compared to 2020 and reached 4,133 thousand; however, it has not reached the level of the year 2019 (5,516 thousand passengers). The number of passengers is restricted by the continuing COVID-19 pandemic as well as quarantine conditions and related restrictions effective in 2021.



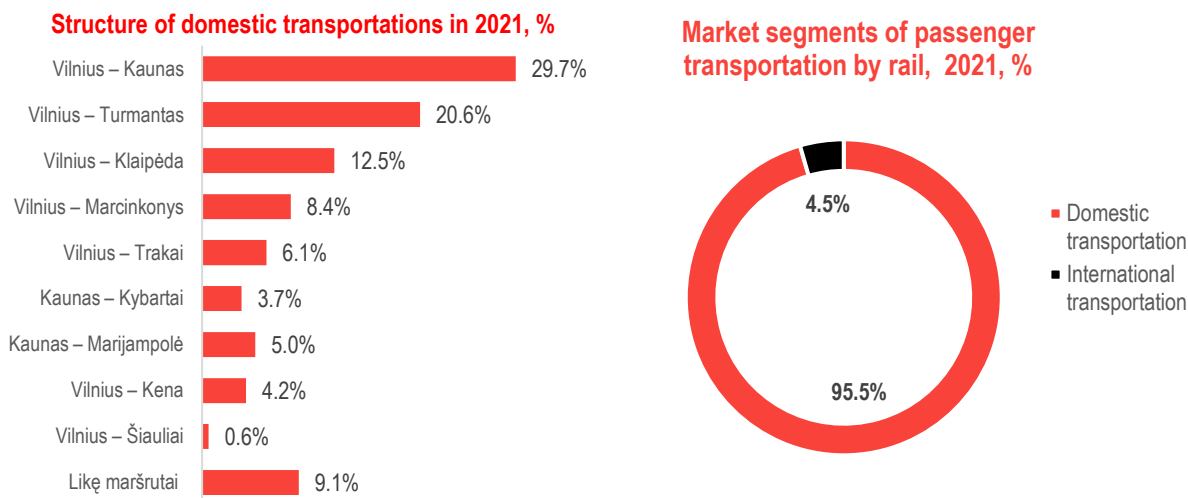
OVERVIEW OF THE KEY PERFORMANCE INDICATORS

Indicators	Measurement unit			2021/2020
		2020	2021	Δ, %
Total passenger transport	Thousands of passengers	3,338	4,133	23.8%
Domestic transport	Thousands of passengers	3,171	3,948	24.5%
International transport	Thousands of passengers	167	185	11.0%
Passenger turnover	Km for millions of passengers	260,0	328,8	26.5%
Domestic transport	Km for millions of passengers	234,1	286,8	22.5%
International transport	Km for millions of passengers	25.9	42.0	62.1%
Average distance of transportation of one passenger	km	77.9	79.6	2.1%
A share of tickets sold without human intervention	%	32	37.5	17.2%
Punctuality of train arrivals	%	96.6	96.0	(0.6)%
Evaluation of passenger transportation services according to CSAT indicator	%	88	84	(4.5)%

PASSENGER TRANSPORT BY RAIL ON DOMESTIC ROUTES

In 2021, transportation on domestic routes accounted for 3,948 thousand passengers (in 2020 – 3,171 thousand passengers); compared to the previous year, the number of passengers increased by 24.5%, which is a result of marketing campaign carried out by the Company and the increased amount of served routes as compared to 2020. The routes cancelled in 2020 due to the COVID-19 pandemic were not yet reinstated in 2021. 21 routes out of 211 domestic rail routes were not resumed as at the end of 2021.

The route Vilnius–Kaunas remains the most popular one (29.7 of all domestic transportations), which was taken by 1.2 million passengers in 2021.



The number of tickets sold on the website <http://www.traukiniobilietas.lt> is continuously increasing, and it accounted for 37.5% in 2021 (32% in 2020).

PASSENGER TRANSPORT BY RAIL ON INTERNATIONAL ROUTES

In 2021, transportation on international routes accounted for 185 thousand passengers (167 thousand passengers in 2020) who were transported by transit trains throughout the territory of Lithuania to and from Kaliningrad to Russia. Compared to 2020, the number of passengers in the segment of international transportation increased by 11.0%. The restriction on the maximum number of passengers in transit trains introduced in 2020 was still effective in 2021.

Due to the pandemic of corona virus (COVID-19), from 16 March 2020, traffic of other international trains was suspended, and it was not yet reinstated as at the issue date of the report; whereas, at the beginning of 2020, before the quarantine started, passengers were able to travel on international routes Vilnius – Minsk, Vilnius – Daugavpils, Kaunas – Bialystok, Kiev – Vilnius – Riga by formation trains of LTG Link and other countries. As at the end of 2021, out of 26 international rail routes, 6 transit train routes were reinstated.

As a result of suspension of international transportation, passenger transport structure has changed significantly. During 2021, 95.5% of rail passengers were transported on domestic routes, and 4.5% - on international routes; whereas, in September – December 2019, 83.0% of passengers were transported on domestic routes, and 17.0% - on international routes.

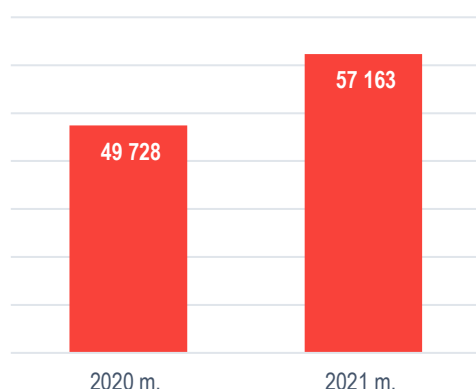
ANALYSIS OF FINANCIAL AND PERFORMANCE RESULTS

OPERATING RESULTS

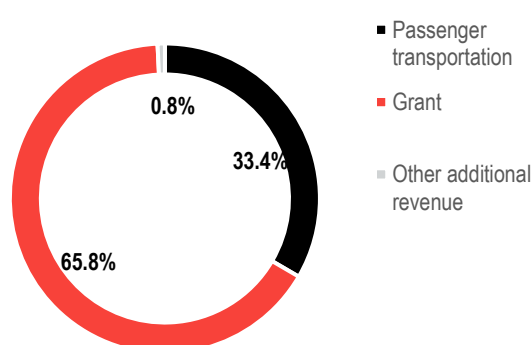
SALES REVENUE

- **Revenue from passenger transport** in 2021 amounted to EUR 19.1 million (EUR 13.0 million in 2020). In the structure of the Company's revenue it accounted for 33.4% of generated revenue. Revenue generated from passenger transport on domestic routes accounted for 21.6% while revenue from the international routes accounts for 11.8%.
- The Company also provides **other additional services**: luggage storage, issue of travel tickets, advertising services, sells food to passengers in stations. During the analysed period, the revenue generated from this group of services amounted to EUR 0.4 million (EUR 0.6 million in 2020).
- **Grant** for compensation of losses incurred due to transportation of passengers on domestic routes received from the state amounted to EUR 37.6 million (EUR 36.0 million in 2020).

The Company's revenue of 2020-2021, EUR thousand



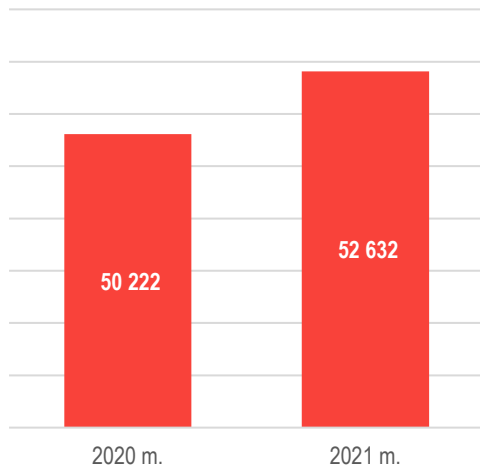
Structure of the Company's revenue, 2021 m., %



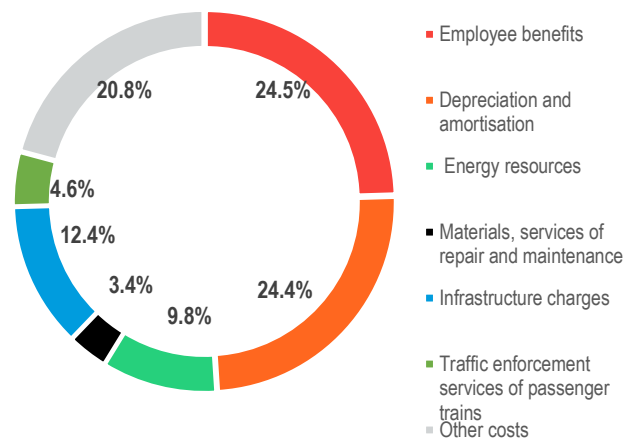
COSTS

- In 2021, the Company incurred operating and other costs amounting to EUR 52.6 million (in 2020 – EUR 50.2 million).
- The costs consist mainly of remuneration costs (24.5%), depreciation costs (24.4%) infrastructure charges (12.4%) and costs related to energy resources (9.8%).
- **Employee benefits** amounted to EUR 12.9 million in 2021; compared to 2020, they remained unchanged.
- **Depreciation costs** amounted to EUR 12.9 million in 2021; compared to 2020, they increased by EUR 0.4 million as a result of capitalised repair of passenger rolling stocks.
- **Costs related to energy resources** amounted to EUR 5.2 million in 2021; compared to 2020, they increased by EUR 0.4 million or 8.4% as a result of the increased diesel fuel price.
- **Costs related to materials, services of repair and maintenance** amounted to EUR 1.8 million in 2021; compared to 2020, they decreased by EUR 0.2 million as a result of decreased volumes of rolling stock repair.
- **Infrastructure charges** amounted to EUR 6.5 million in 2021; compared to 2020, they increase by EUR 0.6 million or 9.6% due to increase in work volumes of trains.
- **Costs of traffic enforcement services of passenger trains** amounted to EUR 2.4 million in 2021; whereas, there were no such costs in 2020. Since July 2021, it has been started to purchase the services of locomotives with crews.
- **Other costs** amounted to EUR 11.0 million in 2021; compared to 2020, they decreased by EUR 1.2 million or 9.5% as a result of decrease in management service fee of EUR 1.0 million and cleaning services of EUR 0.3 million.

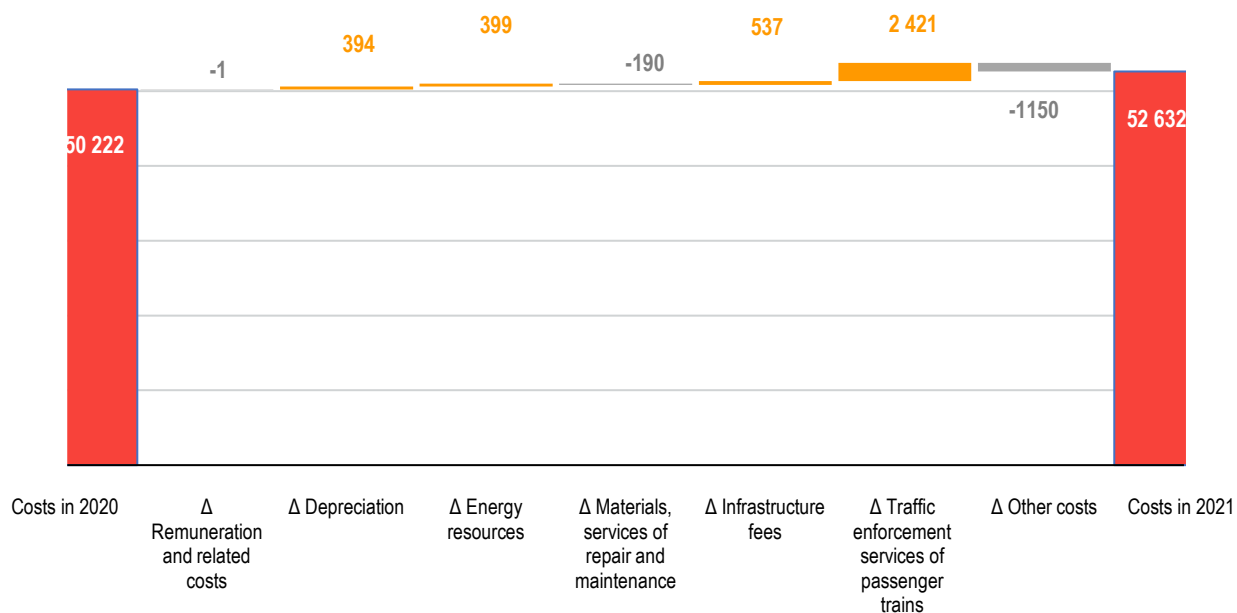
The Company's costs in 2021, EUR thousand



Structure of the Company's costs in 2021 m., %



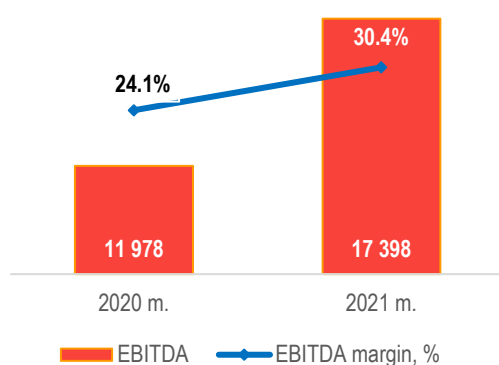
Change in the Company's costs, EUR thousand



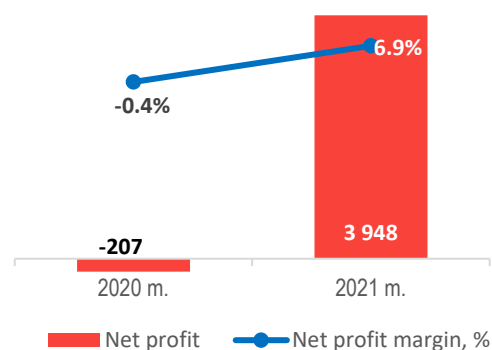
OPERATING RESULTS

- In 2021, the Company's EBITDA was EUR 17.4 (in 2020: EUR 12.0 million), and, accordingly, the EBITDA margin was 30.4% (in 2020: 24.1%).
- In 2021, the Company's profit amounted to EUR 3.9 million; whereas, in 2020, the Company incurred loss amounting to EUR 0.2 million. Accordingly, the margin of net profit (loss) was -6.9% (in 2020: 0.4%).

The Company's EBITDA, EUR thousand



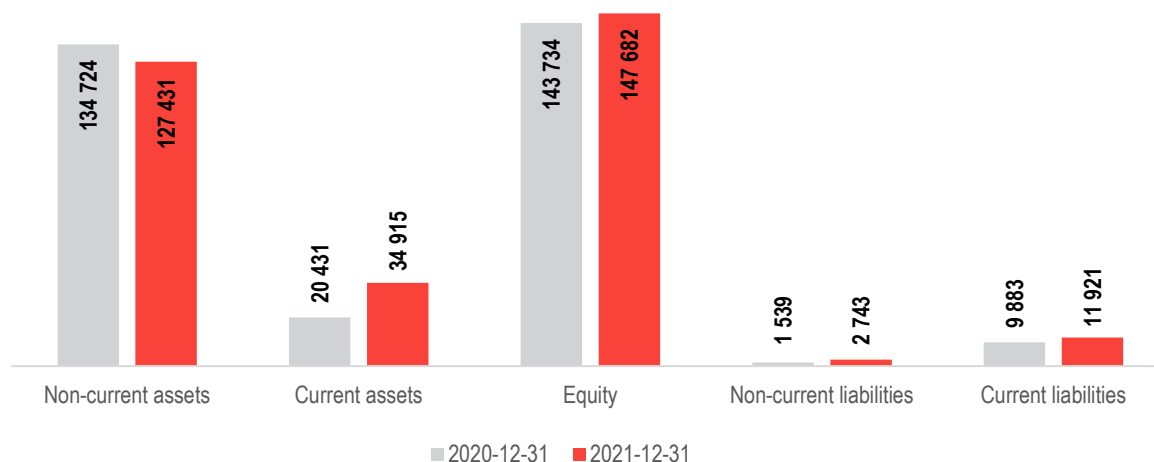
Net profit of the Company, EUR thousand



BALANCE SHEET CHANGES

- As at the end of 2021, non-current assets amounted to EUR 127.4 million. Compared to 2020, it decreased by 5.4%. During 2021, non-current assets were reduced by depreciation costs (EUR 12.9 million) and increased by investments (EUR 5.6 million).
- In comparison to 2020, current assets which amounted to EUR 34.9 million as at the end of the year increased by 70.9% due to the grant received from the state by the end of the year intended for compensation of losses related to passenger transportation.
- Equity increased in 2021 as a result of increasing retained earnings (EUR 3.9 million in 2021; whereas, a loss of EUR 0.2 million was incurred in 2020).
- Non-current liabilities increased due to the increase in lease liabilities, whereas current liabilities were increased due to the increased trade and other payables, and to balance the working capital, the Company used the cash pool of LTG Group. The Company does not have long-term debts to credit institutions.

Changes in the main balance sheet items, EUR thousand



KEY FINANCIAL INDICATORS *

	Measuring units	2019 (September - December)	2020	2021
Sales revenue	EUR thousand	9,155	13,678	19,531
Grant	EUR thousand	10,402	35,979	37,629
Other activity revenue	EUR thousand	169	71	4
Total revenue	EUR thousand	19,726	49,728	57,164
Expenses	EUR thousand	18,362	50,222	52,632
EBITDA	EUR thousand	5,434	11,978	17,398
EBITDA margin	%	27.5%	24.1%	30.4%
EBIT	EUR thousand	1,365	(494)	4,532
EBIT margin	%	6.9%	(1.0)%	7.9%
Net profit	EUR thousand	1,163	(207)	3,948
Net profit margin	%	5.9%	(0.4)%	6.9%
		31/12/2019	31/12/2020	31/12/2021
Non-current assets	EUR thousand	142,023	134,724	127,431
Current assets	EUR thousand	12,011	20,431	34,915
Total assets	EUR thousand	154,034	155,155	162,346
Equity	EUR thousand	143,941	143,734	147,682
Financial debt	EUR thousand	275	1,017	2,323
Net debt	EUR thousand	(7,013)	(16,373)	(26,758)
Return on Equity capital (ROE)	%	1.6%	(0.1)%	2.7%
Return on Assets (ROA)	%	1.5%	(0.1)%	2.5%
Return on Investment (ROI)	%	1.6%	(0.1)%	2.7%
Financial debt / EBITDA	times	0.1	0.1	0.1
Financial debt / Equity (D/E)	%	0,002	0,007	0,016
Net debt / EBITDA	times	(1.3)	(1.4)	(1.5)
Equity ratio	%	93.4%	92.6%	91.0%
Asset turnover ratio	times	0.1	0.3	0.4
Quick ratio	times	1.2	2.0	2.7
Total liquidity ratio	times	1.3	2.1	2.9

FINANCING OF THE COMPANY

As at 31 December 2021, the Company did not have any financial liabilities to credit institutions.

To balance the working capital and ensure liquidity, the Company uses the Group's current cash pool which enables optimisation of the use of working capital and current borrowing costs. The agreement on the Group cash pool was effective until 31 December 2021. The terms of the agreement are in line with normal market conditions.

DIVIDEND POLICIES

The payment of dividends and the amount of profit contributions of state-owned enterprises is regulated by Resolution No. 665 of the Government of the Republic of Lithuania dated 6 June 2012 *On the Approval of the Description of the Procedure for the Implementation of the Property and Non-property Rights of the State in State-owned Enterprises* and its amendments ([LINK](#)). The summary version has been valid since 28 December 2021.

Allocation and payment of dividends of the Group companies are regulated by the Dividend Policy of LTG group.

Allocation of dividends for the financial year or a shorter period than the financial year is planned taking into consideration the level of return on equity, net profit earned, financial ability to pay dividends, implementation of economic projects of state importance, as well as other circumstances and conditions as set out in the Dividend Policy. The dividend pay-out ratio, calculated on retained earnings, and depends on ROE at the end of the reporting period.

ROE of the Company (%)	Portion of distributed profit allocated to dividends (%)
≤ 1	≥ 85
> 1 ir ≤ 3	≥ 80
> 3 ir ≤ 5	≥ 75
> 5 ir ≤ 10	≥ 70
> 10 ir ≤ 15	≥ 65
> 15	≥ 60

- The Board of the Company may propose a higher share of profit to be distributed for dividends taking into account the implementation of financial plans, significant financial ratios (net profit, EBITDA, financial debt to EBITDA ratio, financial debt to equity ratio) at the end of the reporting period, if the payment of such higher share of profit would not have a negative effect on the implementation of the Company's long-term strategy.
- The Board of the Company may propose a lower profit share to be allocated for dividends or no allocation at all, if at least one of the following conditions is met:
 - The Company incurred a net loss for the reporting period;
 - The Company's performance as monitored by institutional creditors at the end of the reporting period for which dividends are proposed would not be in line with contractual values or the size of the indicators would adversely affect the credit rating;
 - The Company carries out or participates in carrying out an economic project recognised as of state importance by resolutions of the Government of the Republic of Lithuania or the Seimas of the Republic of Lithuania, or a particularly important project that has an impact on the long-term strategy implemented by LTG Group;
 - The Company's equity after payment of dividends would become less than the amount of authorised capital, compulsory reserve, revaluation reserve and reserve for acquiring own shares of LTG Group company;
 - The Company is insolvent or would become such after the payment of dividends.

The Company did not pay out dividends in 2021 and the previous year.

SPECIAL OBLIGATIONS

Special obligations are the functions that the State Owned Enterprise (hereinafter referred to as SOE) would not undertake to perform on a commercial basis (or would perform them at a higher price than specified) and which the SOE is entrusted to perform under the State's decision.

Name of the special obligation – public services of passenger transport by rail.

Purpose of the special obligation – to ensure public services of passenger transport by rail and (or) public combined passenger transport on domestic routes.

Function is carried out under the contract for use of the state budget funds allocated for implementation of the programme “Ensuring Rail Transport”, concluded between the Ministry of Transport and Communications and LTG Link on a yearly basis, the subject matter whereof, among other obligations, is fulfilment of the obligation to provide public services. The state budget funds are allocated for fulfilment of the special obligation.

Legislation by which the SOE is vested with fulfilment of the special obligation – Article 12 of the Railway Transport Code of the Republic of Lithuania.

Legislation laying down the conditions for the fulfilment of the special obligation – Article 12 of the Railway Transport Code of the Republic of Lithuania, Regulation (EC) No 1370/2007 of the European Parliament and of the Council of 23 October 2007 on public passenger transport services by rail and by road and repealing Council Regulations (EEC) No 1191/69 and 1107/70 with last amendments made by Regulation (EU) 2016/2338 of the European Parliament and of the Council of 14 December 2016 amending Regulation (EC) No. 1370/2007 concerning the opening of the market for domestic passenger transport services by rail, also the amendment of the Resolution No. 716 of 7 June 2010 of the Government of the Republic of Lithuania Regarding the “Approval of the Description of the Procedure for Compensation for Losses incurred in the Execution of Public Service Obligations”, and the Resolution No. 1036 of 19 August 2004 of the Government of the Republic of Lithuania “Regarding Delegation of Powers” (a version of the Resolution No. 944 of the Government of the Republic of Lithuania of 26 August 2020 “Regarding amendment of Resolution No. 716 of the Government of the Republic of Lithuania of 7 June 2010 “Regarding approval of the description of procedure for compensation of losses incurred in fulfilment of the obligation of public services and amendment of Resolution No. 1036 of the Government of the Republic of Lithuania of 19 August 2004 “Regarding delegation of powers”.

Legislation regulating pricing – Article 34(1) of the Railway Transport Code of the Republic of Lithuania.

State budget of 2021 used for implementation of special obligations – EUR 39.8 million (EUR 2.2 million for passenger transportation under privileged conditions; EUR 37.6 million for passenger transportation on unprofitable domestic routes).

Performance indicators for special obligations reconciled with the appropriations manager (the Ministry of Transport and Communications of the Republic of Lithuania)	Measurement units	2021	To be achieved in 2022
The number of passengers transported on domestic routes	million	3.9	3.9
The number of passengers transported under preferential conditions	million	0.9	0.9

RESULTS OF FULFILMENT OF SPECIAL OBLIGATIONS

The Statement of Profit or Loss, EUR thousand	2020*	2021
Revenue	9,963	12,212
Grants	35,979	37,629
Costs	44,954	46,301
Results from financing activity		
Profit (loss) before tax	988	3,540
Income tax	390	560
Net profit (loss)	598	2,980
Carrying amount, EUR thousand		
Total assets	144,032	150,495
Equity	118,465	120,646
Grants		
Liabilities	25,567	29,849
Total equity and liabilities	144,032	150,495

*In 2020, the values of assets and liabilities were specified according to the amended Company's rules for division of activity balance of 2021.

INVESTMENTS

In implementing the investment programme of LTG Link, the investments of the year 2021 amounted to EUR 5.6 million, whereof EUR 5.2 million were aimed at capital repairs of passenger rolling-stock. All investments (100%) were funded by using the Company's own funds.

MAJOR INVESTMENT PROJECTS IMPLEMENTED IN 2021

RENEWAL OF NON-CURRENT ASSETS

- In 2021, the programmes of repair of rolling stock fleet were implemented: 49 passenger rolling stocks were repaired.

PROJECT OF DEVELOPMENT AND MODERNIZATION

- The **project of Implementation of Smart Ticketing System** is being carried out: in 2021, the contract was concluded and the design phase was completed. Having implemented the new ticket sale system, train passengers will be able to buy tickets on an up-to-date mobile app, new website and ticket machines located at stations. The ticketing system will be adapted to customers with disabilities, seniors, and families with toddlers. This system will increase attractiveness of passenger rail transport and, also will allow decreasing costs of LTG Link.
- The **acquisition of new passenger trains** instead of old ones, which were not adapted to persons with reduced mobility, was commenced. LTG Link plans to purchase the most environmentally friendly electric trains instead of the old diesel trains, some of which would be equipped with batteries, which would ensure ecological transportation of passengers on non-electrified sections. Trains will be adapted to the needs of persons with reduced mobility. During the reporting period, public procurement procedures were performed, signing of the purchase contract of train acquisition is expected to take place in 2022. The first new trains are expected to start running from 2025.
- In order to increase the efficiency of the Operational Management Centre of LTG Link and to ensure control of operational activity, the **Operational Management Centre installation project** was carried out in 2021. Project planning and procurement stages were completed, installation of operational management tool was started, the Company's structure was reformed.

INVESTMENT PROJECTS / INVESTMENT DIRECTIONS PLANNED:

- In the long-term perspective, optimisation of Passenger Rolling Stock Bases related to adaptation of bases for new trains, to increase of repair efficiency, solution of environmental protections issues, etc. is planned by LTG Link.

EMPLOYEES

In order to succeed in implementation of its strategy, efficiently conduct daily operation, create competitive advantage and adopt to changing business needs, the Company follows the principles of personnel management based on the best practices of personnel management. Focus on the employees makes a strategic direction, and is primarily implemented through the development of the corporate culture.

The entire LTG Group strives for a high-performance culture based on the existing values of LTG:



We are
ambitious



We work for
our clients



We respect
each other



We act
with integrity



We are
responsible

INITIATIVES AND MATERIAL EVENTS IN 2021:

- The year 2021 remained full of pandemic related challenges; thus, a great deal of attention was given to appropriate working conditions and provision with all necessary protective equipment during operational activities, while within administrative functions it was transitioned to a hybrid working model.
- Efficiency initiatives have been continued by clarifying functions, identifying surplus or duplicating functions, a new organisational management structure of the Company was reviewed and approved.
- In 2021, it was highly focused on development of organisational culture. An extended study (Employees' Voice survey) of factors influencing organisational culture was re-conducted, and actions were taken to elaborate the areas for improvement. In addition, it has been moved away from the usual definitions of structural units such as 'department', 'centre', 'unit', towards unit names that reflect the functions of the units. The titles of managerial positions have also abandoned differentiating definitions such as "Director of a Department" or "Head of Unit", while retaining a single designation of the head of a specific function.
- Technology implementation and digitization have been continued: processes are changed by digitalising them, new innovative solutions are installed, employees are provided with mobile devices.
- Physical working conditions for employees are being improved – premises in the station building at the address Geležinkelio St. 16 have been completely renovated, repair of household premises at the address Švitrigailos St. 39 is nearly completed, accommodation for travel attendants and drivers have been standardised and improved.

As at 31 December 2021, the number of employees in the Company was 595. As compared to the data as at 31 December 2020, the number of employees in the Company decreased by 80 employees or by 12%.

The average monthly salary changed from EUR 1,661 to EUR 1,726 as compared to the year 2020. This is mainly a result of the revision of the remuneration of the entire group of companies and the decrease in number of operational staff members.

The total remuneration fund amounted to EUR 12.7 million. As compared to 2020, the total remuneration fund decreased by EUR 0.5 million (from EUR 13.2 million to EUR 12.7 million). In addition, in April 2021, the annual incentives for performance results of 2020 were paid to the Company's employees as well as to the employees of other companies of LTG Group in the amount of EUR 0.6 million.

NUMBER OF EMPLOYEES OF THE COMPANY AND AN AVERAGE SALARY

Function groups	31/12/2019		31/12/2020		31/12/2021**					
	Actual number of employees as of the end of the period	Average salary, EUR	Actual number of employees as of the end of the period	Average salary, EUR	Actual number of employees as of the end of the period			Average salary, EUR		
					Total	Women	Men	Total	Women	Men
CEO*	1	8 200	1	8 200	1	-	1	8 300	-	-
High-level executives*	3	5 387	4	5 173	5	1	4	5 339	-	-
Senior executives and specialists in exceptional fields	7	3 744	8	3 811	7	4	3	3 834	-	-
Middle-level managers and individual experts	24	2 536	33	2 583	32	9	23	2 627	2 730	2 563
Team leaders and experienced specialists	90	1 790	104	1 824	101	34	67	1 857	1 830	1 871
Specialists and experienced operational/service staff	244	1 775	288	1 840	368	140	228	1 638	1 337	1 812
Operational/service staff, qualified workers	341	1 172	237	1 235	81	52	29	1 149	1 067	1 293
Total	710	1 571	675	1 661	595	240	355	1 726	1 474	1 898

* a fixed remuneration as of the end of the period is provided;

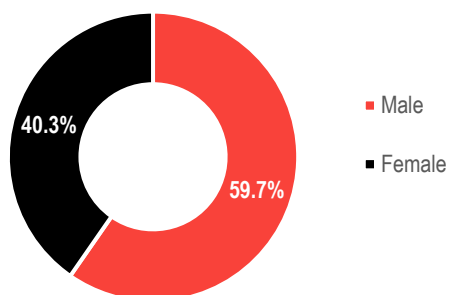
** in 2021, the Company started to publicly announce remuneration data according to gender. For confidentiality reasons, if a particular function group includes less than 5 employees of the same gender, the information on the average wage and the difference of the average wage are not disclosed.

The monthly remuneration set for the Company's CEO of the Company as at 31 December 2021 was EUR 8,300, and the average actual salary, taking into account the annual incentive for performance, amounted to EUR 10,358 in 2021.

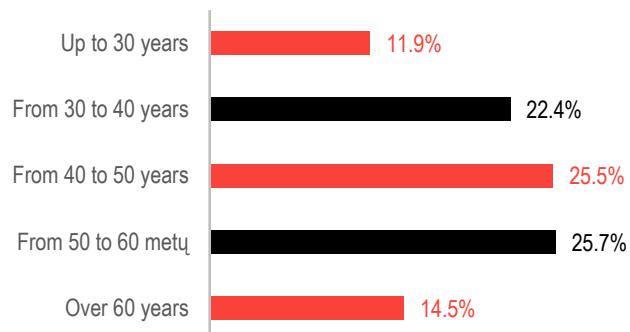
The average monthly salary of high level executives established in their employment contracts as at 31 December 2021 amounted to EUR 5,339, and the average actual salary of this group of employees, taking into account the annual incentive, amounted to EUR 6,127.

Distribution of the Company's employees by age, gender, length of service and education as at 31 December 2021:

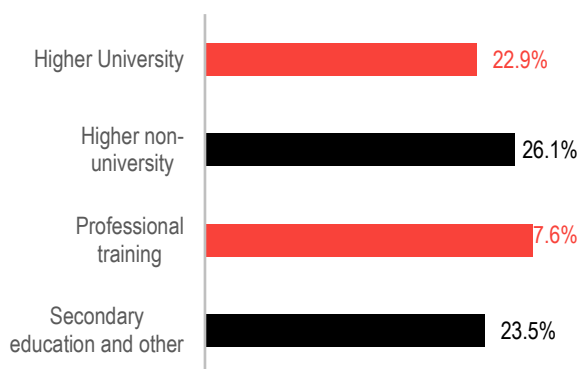
Distribution of employees by gender, %



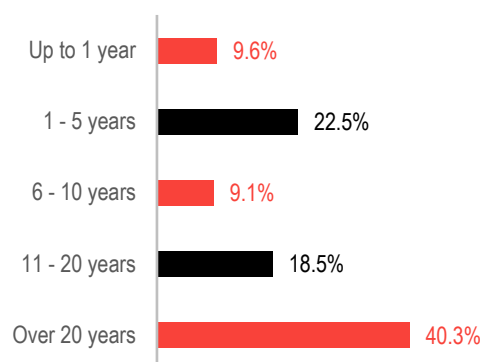
Distribution of employees by age groups, %



Darbuotojų pasiskirstymas pagal išsilavinimą, %



Darbuotojų pasiskirstymas pagal darbo stažą, %



Age group	Average length of service, years
Up to 30 years	2,5
From 30 to 40 years	6,8
From 40 to 50 years	15,4
From 50 to 60 years	22,8
Over 60 years	32,9
Average length of service	16,0

RISKS AND THEIR MANAGEMENT

In managing risks that may affect the day-to-day operations and the achievement of strategic goals the Company relies on a **unified risk management system of the LTG Group**. According to it, risks are periodically reviewed, control over the implementation of management measures is performed, and quarterly risk management status reports are prepared and submitted to the top management.

Taking into account the specificity, external context of activity and history of the Company, the main risks, relevant in the year 2021, are identified and presented below.

Name of the risk	Risk level	Description of the risk and its impact	Main risk management measures
Decreased passenger flows due to the COVID-19 pandemic	High	<ul style="list-style-type: none"> Financial losses; Failure in achieving the annual goals 	<ul style="list-style-type: none"> Optimization of routes; Ongoing implementation of additional safety measures in stations and on trains; Revision of internal processes.
Lack of financial resources for implementation of strategic initiatives	High	<p>There exists a risk that sustainable and long-term funding is not secured for fulfilment of special obligations entrusted by the decision of the state.</p> <p>It may cause delay of important projects or changes in project scope (e. g. negative impact on acquisition volume of or deadline for acquiring new electric trains).</p>	<ul style="list-style-type: none"> Conclusion of the long-term Public Service Obligation with the institution authorised by the Government. Consistent creation of the national, long-term strategy for transport development; Improving efficiency of activity; Grants allocated by the Government of the Republic of Lithuania and a possibility to borrow within the Group.

AUDIT INFORMATION

Audit of the Company's financial statements is conducted in accordance with International Standards on Auditing.

The public procurement tender for the audit of the Company's consolidated and the subsidiaries' separate financial statements, prepared as to International Financial Reporting Standards, adopted in the EU, for the year 2020–2022, was won by KPMG Baltics, UAB. The candidacy of auditors was confirmed by the LTG Audit Committee, it was approved by the Board of LTG and the confirmation of the shareholder was obtained. The contract for audit services was signed on 23 June 2020.

During the reporting period, the auditor provided translation services of the financial statements. During the reporting period, the auditor did not provide any other additional services unrelated to the audit of the financial statements of the Company.

The fee for the audit of the financial statements for the year 2021 established to the audit firm was EUR 31.0 thousand (without VAT).

DEFINITIONS

Revenue	Revenue + Grant + Income from other activities, excluding income from financial activities
Sales revenue	Revenue, excluding income from financial and other activities
Grant	Grant issued by the State for compensation of losses related to passenger transportation
Costs	Costs, excluding the corporate tax and financial activities costs
Financial debt	Interest-bearing financial debt, including financial / operating lease
Net debt	Interest-bearing financial debt including financial lease / operating lease, less net cash and cash equivalent investments
Return on equity (ROE)	Net profit/loss for the period of the last 12 months / average equity for the beginning and the end of the reporting period
Return on assets (ROA)	Net profit/loss for the period of the last 12 months / average assets for the beginning and the end of the reporting period
Return on investments (ROI)	Net profit (loss) for the period of the last 12 months / (average of assets for the beginning and the end of the reporting period - the average of current liabilities for the beginning and the end of the reporting period)
EBIT	Profit (loss) before the corporate tax – the result of financial activities
EBITDA	Profit (loss) before the corporate tax – the result of financial activity + depreciation and amortization
EBIT margin	EBIT / Sales revenue + Grant
EBITDA margin	EBITDA / Sales revenue + Grant
Net profit margin	Net profit (loss) / Sales revenue + Grant
Equity ratio	Equity at the end of the period / Assets at the end of the period
Financial debt / EBITDA	Financial debt / EBITDA of the period of the last 12 months
Net debt / EBITDA	Net debt / EBITDA of the period of the last 12 months
Asset turnover indicator	Sales revenue for the period of the last 12 months / + Grant + Assets at the end of the period
Quick ratio	(Current assets at the end of the reporting period) – Inventories at the end of the reporting period / Current liabilities at the end of the reporting period
Total liquidity ratio	Current assets at the end of the reporting period / Current liabilities at the end of the reporting period
Passenger turnover (passenger kilometres)	Passenger transportation indicator, calculated by multiplying the trip of each transported passenger by the travelled distance
Number of employees	The number of listed active employees as of the end of the period (excluding the employees on parental leave, military service, long-term incapacity)
Average salary	The average gross salary per employee



UAB LTG LINK
FINANCIAL STATEMENTS

Prepared in Accordance with International Financial Reporting
Standards as Adopted by the European Union
and the Independent Auditor's Report

For the Financial Year
Ended 31 December 2021



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Independent Auditor's Report

To the Shareholders of UAB LTG Link

Opinion

We have audited the financial statements of UAB LTG Link ("the Company"), set out on pages 39 - 76. The Company's financial statements comprise:

- the statement of financial position as at 31 December 2021,
- the statement of profit or loss and other comprehensive income for the year then ended,
- the statement of changes in equity for the year then ended,
- the statement of cash flows for the year then ended, and
- the notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the requirements of the Law on Audit of Financial Statements of the Republic of Lithuania that are relevant to audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of Financial Statements of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The other information comprises the information included in the Company's annual management report, set out on pages 3 - 34, but does not include the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In addition, our responsibility is to consider whether information included in the Company's annual management report for the financial year for which the financial statements are prepared is consistent with the financial statements and whether annual management report has been prepared in compliance with applicable legal requirements. Based on the work carried out in the course of audit of financial statements, in our opinion, in all material respects:

- The information given in the Company's annual management report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Company's annual management report has been prepared in accordance with the requirements of the Law on Financial Reporting by Undertakings of the Republic of Lithuania.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards, as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

On behalf of KPMG Baltics, UAB

Rūta Kupinienė
Certified Auditor

Vilnius, the Republic of Lithuania
3 March 2022

The electronic auditor's signature applies only to the Independent Auditor's Report on pages 36 to 38 of this document.

STATEMENT OF FINANCIAL POSITION

	Notes	2021	2020
NON-CURRENT ASSETS			
Property, plant and equipment	7	124,396	132,752
Buildings and constructions		2,689	3 128
Machinery and plant		276	354
Vehicles		120,904	128,286
Other equipment, fittings and tools		357	407
Construction in progress and prepayments		170	577
Right-of-use assets	8	2,318	988
Intangible assets	9	104	-
Prepayments		104	-
Investment property		-	-
Financial assets		-	-
Deferred tax assets	26	283	984
Other non-current assets	10	330	-
Total non-current assets		127,431	134,724
CURRENT ASSETS			
Inventories	11	2,191	951
Trade and other receivables	12	2,772	1,895
Prepayments	13	591	160
Cash and cash equivalents	14	29,081	17,389
Non-current assets held for sale	15	280	36
Total current assets		34,915	20,431
TOTAL ASSETS		162,346	155,155

STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	2021	2020
EQUITY			
Share capital	16	143,590	143,590
Other reserves	17	144	-
Retained profit (loss)		3,948	144
Total equity		147,682	143,734
LIABILITIES			
Non-current liabilities			
Lease liabilities	18	2,256	869
Employee benefits	19	487	670
Total non-current liabilities		2,743	1,539
Current liabilities			
Lease liabilities	18	67	148
Employee benefits	19	1,979	2,341
Trade and other payables	21	8,372	7,389
Prepayments received	20	1,503	4
Total current liabilities		11,921	9,882
Total liabilities		14,664	11,421
TOTAL EQUITY AND LIABILITIES		162,346	155,155

The accompanying explanatory notes are an integral part of these financial statements

The financial statements and the explanatory notes on pages 39-76 were approved and signed by:

Chief Executive Officer

Linus Baužys

AB Lietuvos Geležinkeliai
 Finance Controller for Accounting, Financial
 Reporting and Control
 Acting under Power of Attorney
 No [G(LGKL)-56 of 23/11/2021

Asta Stalauskienė

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2021	2020
Revenue	22	19,531	13,678
Grant	23	37,629	35,979
Other income		4	71
Total income		57,164	49,728
Employee benefits	24	(12,910)	(12,910)
Depreciation and amortization	7,8,9	(12,867)	(12,473)
Management service		(6,561)	(7,548)
Infrastructure services		(6,507)	(5,970)
Traffic enforcement services of passenger trains		(2,421)	-
Fuel		(4,246)	(3,800)
Materials		(876)	(1,016)
Services rendered by other foreign railway companies		(313)	(339)
Electricity		(913)	(961)
Repairs and maintenance		(925)	(976)
Increase (decrease) in inventories	11	(48)	29
Increase (decrease) in non-current assets held for sale	15	104	(144)
Increase (decrease) in receivables		-	1
Other		(4,150)	(4,114)
Operating profit		4,531	(493)
Finance income	25	159	171
Finance costs	25	(1)	(19)
Profit (loss) before taxation		4,689	(341)
Income tax	26	(741)	134
Net profit (loss)		3,948	(207)
Other comprehensive income (expenses)		-	-
Total comprehensive income (expenses)		3,948	(207)

The accompanying explanatory notes are an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital	Other reserves	Retained (profit) losses	Total
Balance as at 31 December 2019		156,237	-	(12,296)	143,941
Net profit (loss)		-	-	(207)	(207)
Other comprehensive income, after tax		-	-	-	-
Total comprehensive income (expenses)		-	-	(207)	(207)
Reduction in share capital		(12,647)	-	12,647	-
Transfer to reserves		-	-	-	-
Total transactions with owners of the Company		(12,647)	-	12,647	-
Balance as at 31 December 2020		143,590	-	144	143,734
Net profit (loss)		-	-	3,948	3,948
Other comprehensive income, after tax		-	-	-	-
Total comprehensive income (expenses)		-	-	3,948	3,948
Transfer to reserves	17	-	144	(144)	-
Total transactions with owners of the Company		-	144	(144)	-
Balance as at 31 December 2021		143,590	144	3,948	147,682

The accompanying explanatory notes are an integral part of these financial statements

STATEMENT OF CASH FLOWS

	Notes	2021	2020
Cash flows from operating activities			
Net profit (loss)		3,948	(207)
Adjustment to non-cash items			
Depreciation and amortization	7,8,9	12,867	12,473
(Gain) loss from disposal/write-off of non-current assets		-	(61)
Impairment (reversal) of inventories		48	29
Impairment (reversal) of non-current assets held for sale		(104)	(144)
Change in accrued income/expenses		(932)	3,239
Interest (income) expenses		6	1
Lease liability interest		(6)	16
Effect of currency exchange fluctuations		51	29
Income tax expenses (income)		741	(134)
Cash flows from operating activities after adjustment to non-cash items		16,619	15,471
Changes in working capital			
Decrease (increase) in inventories		(1,260)	212
Decrease (increase) in trade and other receivables and prepayments		(42,659)	(36,464)
Increase (decrease) in current and non-current trade payables and received prepayments		2,680	(2,168)
Increase (decrease) in employment related liabilities		(544)	(435)
Increase (decrease) in other non-current and current payables		(551)	(1,418)
Net cash from operating activities		(25,715)	(24,802)
Cash flows from investing activities			
Acquisition of non-current assets		(3,511)	(2,776)
Net cash used in investing activities		(3,511)	(2,776)
Cash flows from financing activities			
Grants received		41,158	37,790
Cash pool		(6)	-
Payment of lease liabilities		(216)	(95)
Payment of lease liability interest		(18)	(16)
Net cash flows from financing activities		40,918	37,679
Net increase (decrease) in cash and cash equivalents		11,692	10,101
Cash and cash equivalents at the beginning of the period	14	17,389	7,288
Cash and cash equivalents at the end of the period		29,081	17,389

The accompanying explanatory notes are an integral part of these financial statements

EXPLANATORY NOTES

1. General information

UAB LTG Link, (hereinafter referred to as the Company) was registered in the Register of Legal Entities of the Republic of Lithuania on 28 February 2019. In its activities the Company follows the Constitution of the Republic of Lithuania, the Law on Companies of the Republic of Lithuania, the Railway Transport Code of the Republic of Lithuania, and other valid regulations of the Republic of Lithuania.

The Company is a private legal entity of limited civil liability, independently organising economic, financial, organizational, and legal activities. UAB LTG Link is the company of AB Lietuvos Geležinkeliai Group (hereinafter referred to as the Group). AB Lietuvos Geležinkeliai is its sole shareholder. The Company's code: 305052228, VAT code: LT100012462811, legal (registration) address: Geležinkelio St. 16, LT-03603 Vilnius. The main activities of the Company are passenger and luggage transportation by rail and provision of related services.

The Company follows the established strategy and strategic strands of the Group of companies, as well as the approved policies that the companies of the Group must take into account in their activities, as well as the Constitution of the Republic of Lithuania, the Civil Code of the Republic of Lithuania, the Law on Companies of the Republic of Lithuania, other laws and legal acts regulating the activities of the Company, decisions of the bodies of the Company, articles of association and internal documents of the Company.

As of 31 December 2021, the parent company AB Lietuvos Geležinkeliai was the sole shareholder of the Company. The Ministry of Transport and Communications of the Republic of Lithuania holds 100% of AB Lietuvos Geležinkeliai.

The Company has no branches and representative offices.

As of 31 December 2021, the listed number of active employees at the end of the period (excluding the employees on parental leave, military service, long-term incapacity) was 595 (as at 31 December 2020: 675).

2. Significant accounting policies

Basis of preparation. The Company's financial statements have been prepared in accordance with the International Accounting Standards (hereinafter referred to as the IAS) and the International Financial Reporting Standards (hereinafter referred to as the IFRS) as adopted within the European Union. The main accounting policies applied during preparation of these financial statements of the Company are presented below. The said accounting policies are applied for all reporting periods presented in the financial statements unless stated otherwise.

The financial statements are prepared on the historical cost basis.

The Company's financial year coincides with the calendar year.

Use of estimates and judgements. The preparation of financial statements in conformity with IFRS and IAS requires the use of certain significant accounting estimates and assumptions which have influence on application of accounting principles and amounts related to assets, liabilities, income and expenses. Estimates and assumptions related to them have been based on historical experience and other factors, which conform to existing conditions, and based on their results a conclusion is made about residual values of assets and liabilities, decisions on which cannot be made based on other sources. The estimates and related assumptions are continually revised and rely upon historical experience and other factors, including expectations on future events based on existing circumstances.

Going concern. These financial statements of the year ended 31 December 2021 have been prepared in accordance with an assumption made by the Company's Management that the Company would continue its activities.

Functional and presentation currency. The amounts in these financial statements have been presented in euro, unless otherwise stated. The functional currency of the Company is euro. In these financial statements all amounts have been expressed in euros and rounded down to the nearest thousand (EUR '000). Because of rounding figures between tables may not coincide. Such inconsistencies are considered as insignificant in the financial statements.

Foreign currency. Transactions in foreign currency are measured in functional currency applying the currency exchange rate applicable during transactions. Monetary assets and monetary liabilities in foreign currency are revaluated in functional currency on the date of preparation of the financial statements applying reference exchange rates set and published by the European Central Bank. Currency exchange gains or losses are stated as profit or loss in the statements of profit or loss and other comprehensive income. Non-monetary assets and liabilities, denominated in foreign currency and measured at fair value, are revaluated in functional currency at exchange rates valid on the date of determination of the fair value. Non-monetary assets and liabilities denominated in foreign currency and measured at cost are revaluated in functional currency at exchange rates valid on the date of recognition of assets and liabilities in the Statement of financial position. Currency exchange gains or losses are stated as profit or loss in the statements of profit or loss and other comprehensive income.

2. Significant accounting policies (continued)

Property, plant and equipment. Property, plant and equipment are non-current tangible assets which: a) are kept for purposes of production of goods or provision of services, or for administrative purposes; and b) are intended to be used for a period longer than one reporting period.

The cost of property, plant and equipment shall only be recognised as assets when and only when: a) it is probable that the future economic benefits embodied in the asset will eventuate; and b) the asset possesses a cost or other value that can be measured reliably.

Property, plant and equipment are attributed to non-current tangible assets and accounted for at cost less accumulated depreciation and impairment loss. The initial value of noncurrent tangible assets comprises their acquisition cost, including unrecoverable taxes of acquisition, capitalised borrowing costs and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the tangible non-current assets have been put into operation are normally charged to the Statement of profit or loss and other comprehensive income in the period the costs are incurred.

Where separate parts of items of property, plant and equipment have different useful lives, they are accounted for as separate items (components) of property, plant and equipment. Costs of replacement of the part of an item of property, plant and equipment are capitalised only if it is probable that economic benefits will be derived from that part, and the cost of a new constituent part can be measured reliably. The residual value of the old constituent part is written off. The costs of the day-to-day servicing of property, plant and equipment are accounted for as profit or loss as incurred.

At the end of each reporting period, if any impairment indicators exist, property, plant and equipment are tested for impairment. If any indication of impairment exists, the recoverable amount, which is the higher of the fair value less costs to sell and its value in use, is estimated. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in the Statement of profit or loss and other comprehensive income. Impairment loss recognised for an asset in the previous year is reversed where appropriate if any changes occur in the estimates used to determine the asset's value in use or the fair value less costs to sell. The impairment of assets is reversed to the extent of the increase in the recoverable amount but not exceeding the carrying amount before accounting of impairment, assessing the estimated depreciation.

Repair costs are added to the carrying amount of property, plant and equipment, if it is probable that the essential characteristics of the assets will be enhanced, and if they can be measured reliably. The carrying amount of the replaced part is written off. All other repair and maintenance expenses are recognised as costs when incurred.

A gain or a loss on the sale of property, plant and equipment is determined by the comparison of the proceeds from asset sale with its carrying amount and is recognised in the Statement of profit or loss and other comprehensive income.

Depreciation. Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives.

Groups of property, plant and equipment	Useful life
Buildings and structures	5–80
Machinery and plant	5–19
Rolling stock (including wagons)	5-20
Computers and hardware	4–7
Other equipment, fittings and tools	4–7

The residual value of an asset is the estimated amount that the Company would currently obtain from the disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Construction in progress. Construction in progress is accounted for at the cost of acquisition less impairment losses. This includes the cost of construction, structures and equipment, and other directly attributable costs. Construction in progress is not depreciated until construction is completed and assets are ready for service.

2. Significant accounting policies (continued)

Intangible assets. The Company's intangible assets have definite useful lives and primarily include capitalised computer software, patents, trademarks and licenses. Acquired computer software, licenses, patents and trademarks are capitalised on the basis of the costs incurred to acquire and bring them to use. Expenditures, which are directly related to development of unique software controlled by the Company, are recorded as intangible assets, where it is expected that future economic benefit will exceed expenditures incurred. Capital expenditures include costs of a software development team and related overhead costs. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred.

Intangible assets are amortised using the straight-line method over their useful lives, lasting between 3 and 4 years. Amortization period shall be reviewed at the end of each financial year.

Groups of intangible assets	Useful life
Development work	4
Software	3
Concessions, patents, licenses, brands	3
Other intangible assets	4

The residual value of intangible assets used in the Company has to be considered as zero, except for the cases when the third party commits to purchase the assets at the end of their useful life or there is an active market for those assets which can be used as a basis for determining the residual value; furthermore, it is probable that this market will also be present at the end of the useful life.

The Company tests intangible assets for possible impairment by comparing their recoverable amount to carrying amount once a year or whenever there are indications of impairment of the intangible assets. If the intangible assets are impaired, the carrying amount of the intangible assets is reduced to their fair value.

Assets held for sale. The Company classifies non-current assets as held for sale if their carrying amount will be recoverable from disposal rather than their continued utilization. Such non-current assets, classified as held for sale, are assessed at lower of their carrying amount or at fair value less costs to sell. Costs to sell are expenses directly attributed to sales, except for finance and income tax expenses.

Financial instruments

Financial assets. The Company's financial assets include cash and cash equivalents, trade receivables and other receivables. Trade receivables are recognised initially upon occurrence. During initial recognition all other financial assets are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets (other than trade receivables without significant funding component), if not measured at fair value through profit or loss, are initially measured at fair value plus transaction costs directly attributable to acquisition or disposal. The trade receivables without a significant financing component are initially recognised at transaction price.

The financial assets are divided into three groups depending on the method of their measurement:

- financial assets that are measured at amortised cost in subsequent periods;
- financial assets that are subsequently measured at fair value through other comprehensive income;
- financial assets that are subsequently measured at fair value through profit or loss.

Classification of the financial assets depends on the business model for managing the financial assets (it is assessed how the Company manages the financial assets in order to generate cash flows) and their contractual cash flow characteristics of the financial assets (whether contractual cash flows include the principal amounts of the loan and interest payments only).

The Company has no financial assets, which are stated at fair value through other comprehensive income, and financial assets, which are stated at fair value through profit and loss.

A financial asset is measured at amortised cost if both of the following criteria are met:

- the financial asset is held according to a business model, an objective of which is to hold the financial asset to collect its contractual cash flows; and
- its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding.

2. Significant accounting policies (continued)

The financial asset, which is subsequently measured at amortised cost, is measured by using the effective interest method. The amortised cost is reduced due to impairment loss. Interest income, foreign exchange profit and loss are accounted for through profit (loss). Any derecognition profit or loss are accounted for in the Statement of profit or loss and other comprehensive income.

The effective interest method is the method used to calculate the amortised cost of a financial asset or liability and distribute interest income or expense during the respective period. The effective interest rate is the rate that allows discounting future cash payments accurately during the specified period of validity of financial liability or during shorter period, where appropriate.

At initial recognition the financial assets, which are measured at fair value through profit or loss in the Statement of profit or loss and other comprehensive income, are accounted for at fair value. Later fair value change profit and losses, including all interest and dividends, are recognised as profit and losses in the Statement of profit or loss and other comprehensive income.

Derecognition of financial assets. Financial assets (or, where appropriate, part of financial assets or part of the group of similar financial assets) are derecognised when:

- the right to receive cash flows from the financial asset has expired;
- the Company retains the right to cash flows, but has assumed an obligation to pay the full amount to the third party under an assignment agreement within a short period of time;
- the Company transfers its right to receive the cash flows and/or:
 - a) transfers substantially all risks and benefit related to ownership to the financial asset,
 - b) neither transfers nor retains risks and benefit related to ownership to the financial asset, but transfers control of the asset.

When the Company transfers the rights to receive cash flows from an asset and neither transfers nor retains risks and benefit related to ownership to the financial asset, but transfers control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. The Company's assets that take the form of a guarantee over the transferred asset are measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

The Company reduces the gross carrying amount of the financial asset if it cannot reasonably expect to recover all or part of the financial asset.

Writing down is an event of derecognition.

Financial liabilities. The Company's financial liabilities comprise loans and other financial debts, trade and other payables.

At the time of initial recognition financial liabilities are recognised if the Company becomes a party to the contractual terms of the instrument.

Financial liabilities are divided into two groups according to their measurement:

- a) financial liabilities which are measured at amortised cost in subsequent periods;
- b) financial liabilities that are subsequently measured at fair value through profit or loss.

A financial liability is classified as measured at fair value through profit or loss if it is classified as held-for-trading, it is a derivative financial instrument or it is designated as such on initial recognition.

A financial liability, measured at fair value through profit or loss, is measured at fair value, and any net profit and loss, including any interest costs, is recognised in the Statement of profit or loss and other comprehensive income.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest costs and foreign exchange profit or loss are recognised in the Statement of profit or loss and other comprehensive income. Any costs of derecognition of the financial liability are recognised in the Statement of profit or loss and other comprehensive income.

Derecognition of financial liabilities. A financial liability is derecognised by the Company when contractual obligations have been fulfilled or cancelled or the liability expires. The Company also ceases recognition of a financial liability when its terms are changed and the cash flows of the amended liability are materially different. In this case the new financial liability is recognised at fair value in accordance with the amended contractual terms.

2. Significant accounting policies (continued)

In the event of derecognition of a financial liability the difference between the carrying amount written off and the consideration paid (including any transferred non-cash assets or liabilities assumed) is recognised as profit or loss in the Statement of profit or loss and other comprehensive income.

Offsetting of financial assets and liabilities. Financial assets and financial liabilities are offset when, and only when, the Company has a legally enforceable right to record the amounts and intend to make an offsetting, or realize the asset to offset the liability.

Impairment of financial assets due to credit risk. Impairment losses due to credit risk on financial assets measured at amortised cost are measured based on the expected credit loss (ECL) model. Credit losses are measured as the present value of all cash losses (the difference between the cash flows that the Company holds under the contract and the cash flows the Company expects to receive). ECLs are discounted by applying an effective interest rate.

At the end of each reporting period, the Company recalculates and records the provision for expected credit losses in accordance with past events, current market conditions and future prospects. The Company applies a simplified method to calculate the expected maturity credit losses over the period of validity and uses a provisioning matrix for all trade and other receivables. For calculation of the expected credit losses using the provisioning matrix, trade and other receivables are categorised into separate groups according to credit risk characteristics. The amounts for each group are analysed by the number of days past due.

Losses on financial assets measured at amortised cost are recognised as provisions having impact on the gross carrying amount of such assets.

The gross carrying amount of a financial asset is written down when the Company has no reasonable expectations of recovering all or part of the asset. Uncollectible assets are written off based on admitted impairment loss after all the necessary procedures for recovery of the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to the impairment loss item in the Statement of profit or loss and other comprehensive income.

Write-off of financial assets. Impairment for financial assets is formed in consideration of provisions of IFRS 9, the Company's accounting policies and by carrying out the assessment of possible risks according to the possibility of their occurrence, taking into consideration the likely internal and external factors which include significant financial difficulties of customers, liabilities more than 90 days overdue and the likely case of bankruptcy of the customer.

Gross carrying amount of financial assets is written off when the Company does not have reasonable expectations to recover all assets or a part thereof. Unrecoverable assets are written off according to the recognised impairment if all necessary actions were taken to recover the assets and the amount of losses has been determined.

For financial assets which are written off and are also subject to the activity of securing fulfilment, the Company takes actions related to legal regulation so that the amounts were recovered to maximum extent.

The amounts previously written off and recovered during subsequent periods are booked under the item of depreciation losses of the Statement of profit or loss and other comprehensive income.

Derivative financial instruments. During 2021 the Company had no derivative financial instruments.

Trade and other receivables. Trade and other receivables are initially recognised at transaction price and subsequently at amortised cost.

Trade and other payables. At initial recognition trade and other payables are recognised when the Company becomes a party to the contractual terms. Trade and other payables are initially measured at fair value plus directly related transaction costs.

Cash and cash equivalents. Cash comprise cash at bank accounts and on hand. Cash equivalents represent short-term highly liquid investments easily convertible to a known amount of cash. The term of such investments does not exceed three months and the risk of changes in value is insignificant.

Cash and cash equivalents reported in the statement of cash flows comprise cash at bank and on hand, deposits with current accounts and other short-term highly liquid investments.

2. Significant accounting policies (continued)

Financial guarantees. Financial guarantee contract is the contract that binds the Company to make specific payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or updated terms of a debt instrument. Financial guarantees are initially recognised at their fair value, which is normally evidenced by due amounts received.

Lease

Lease means a contract or part of a contract that gives the right to use the asset (leased property) for a certain period of time for consideration.

Lessee

The Company shall assess each contract for possible lease items. If the contract is a lease contract or includes a lease, the Company shall account for each lease component of the contract as a lease separately from the non-lease (service) components of the contract.

The Company shall not apply the lease recognition provisions to short-term leases (leases of up to one year) and leases with low value property (computers, telephones, printers, furniture, etc.). In deciding whether the value of an asset is low, the Company shall assess each asset separately. In deciding whether the value of an asset is low, lease fees over the entire lease period are not assessed. Assets with a value of up to EUR 4 thousand are considered low value assets. The Company shall not apply the lease recognition provisions to all intangible assets. The Company shall apply the provisions of IAS 38 "Intangible Assets" to such assets.

The Company shall recognize the right to use the asset and the lease liability in the Statement of financial position at the commencement of the lease.

At the commencement date, the Company shall measure the right-of-use asset at cost. Subsequent to initial recognition, right-of-use assets are measured at cost less accumulated depreciation and accumulated impairment losses, and an adjustment to any revaluation of the liability.

On the commencement date, the Company shall measure a lease liability at the present value of the lease payments outstanding at that date. Lease fees shall be discounted using the interest rate provided for in the lease contract, if that rate can be readily determined. If that rate cannot be readily determined, the Company shall use the borrowing rate charged by the lessee. The borrowing rate to be charged by the lessee shall be recorded by the Company at the beginning of each year and used for all new contracts signed in that year and for contracts the terms of which (not all but only for which the lease liability must be reassessed) have changed during that year. A reassessment of a lease liability occurs when the cash flows change from the original conditions of the lease, for example, when changes in the lease term or lease payments change based on an index or interest rate. Changes that were not part of the original lease contract are considered to be lease changes.

Initial assessment of right-of-use assets. The cost of an asset managed under a right-of-use comprises of: the amount of the initial measurement of the lease liability, any lease payments at or before the inception date, less any lease incentives received; any initial direct costs incurred by the Company; and an estimate of the costs that the Company will incur in dismantling and disposing of the leased asset, maintaining its location or restoring the leased asset to the condition required by the lease conditions, unless those costs are incurred in producing the stocks. The Company shall assume a liability relating to these costs on the start commencement date or after using the leased assets for a specific period. The Company shall recognize these costs as part of the cost of the right-of-use assets when a liability is incurred for these costs.

Subsequent assessment of right-of-use assets. After the commencement date, the Company shall assess the right-of-use assets applying the cost method. By applying the cost method, the Company shall measure the right-of-use assets at cost: less any accumulated depreciation and any accumulated impairment losses; and adjusted for reassessment of the lease liability. In calculating the depreciation of rights-of-use assets, the Company shall apply the depreciation requirements of IAS 16 "Property, Plant and Equipment".

Initial assessment of the lease liability. On the commencement date, the Company shall assess the lease liability at the current value of the lease outstanding on that date. Lease fees shall be discounted using the interest rate provided for in the lease contract, if that rate can be readily determined. If that rate cannot be readily determined, the interest rate to be charged by the Company is determined by calculating the weighted average cost of capital (WACC) from the most recent audited annual financial statements and using the cost of debt component.

2. Significant accounting policies (continued)

Reassessment of the lease liability. After initial recognition, the lease liability shall be reassessed to take into account changes in the lease fees. The Company shall recognize the amount of the reassessment of the lease liability as an adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use asset is reduced to zero and the assessment of the lease liability is further reduced, the Company shall recognize any remaining amount of the reassessment as profit or loss. The Company shall report the lease liabilities separately from other liabilities in the Statement of financial position. The interest expenditure on the lease liability is presented separately from the depreciation of the right-of-use assets. The interest expenditure on the lease liability is a component of the financial cost presented in the statement of comprehensive income.

Lessor

Operating lease. The Company shall recognize the lease fees related to operating lease as income on a linear basis. Costs (including depreciation) incurred in earning lease related income are recognised by the Company as costs. The initial direct costs incurred in obtaining the operating lease shall be included by the Company in the carrying amount of the leased assets and shall be recognised as an expenditure during the lease period on the same basis as the lease income. The Company shall account for the change in the operating lease as a new lease from the date of the change's entry into force and shall treat the lease fees paid or accrued in advance in relation to the original lease as part of the new lease.

Income from investment property and other assets is accounted for on a linear basis during the lease period.

Income taxes. Income taxes have been provided for in the financial statements in accordance with legislation enacted on the closing date of the reporting period. The income tax charge comprises current tax and deferred income tax and is recognised in the Statement of profit or loss and other comprehensive income, unless those taxes are recognised in other comprehensive income or directly in equity as they are related to transactions that are also recognised in other comprehensive income or directly in equity in the same or a different period.

The income tax rate applicable for the companies of the Republic of Lithuania in 2021 was 15% (in 2020 – 15%).

Taxes for the reporting period are the amount expected to be paid to or recovered from the taxation authorities, considering a taxable profit or losses for the reporting and prior periods. The taxable profit or losses are based on estimates if financial statements are approved prior to filing relevant tax returns. Taxes other than income tax are recorded in operating expenses.

For financial reporting purposes deferred taxes are provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets for deductible temporary differences are recorded only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient future taxable profit available against which the deductions can be utilised.

Deferred tax assets and liabilities are offset only when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. Deferred income tax assets and deferred tax liabilities may be offset separately at each company.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets have been recognised in the Statement of financial position to the extent the management believes they will be realised in the foreseeable future based on taxable profit forecasts. When it is probable that a portion of deferred tax will not be utilised, this portion of deferred tax is not recognised in the financial statements.

2. Significant accounting policies (continued)

Taxable losses can be carried forward for an unlimited time, except for the losses that have originated due to disposal of securities and (or) derivative financial instruments. Operating losses carry forward is disrupted if the Company ceases its activities which caused the losses, unless the Company ceases activities due to reasons beyond its control. The losses from disposition of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature.

From 2014 tax losses carried forward can cover no more than 70% of taxable profit of a taxable period according to applicable Lithuanian laws.

Inventories. Inventories are measured at acquisition or production cost, and subsequently are accounted for at the lower of the cost or the net realizable value. The net realizable value is a sale price under normal business conditions less expenses of completion and possible costs to sell. The cost is calculated under the FIFO method. The cost of inventories is net of volume discounts and rebates, received from suppliers during the reporting period, but is applied to the inventories still held in stock. The inventories that may not be realised are fully written off. The inventories that are intended for repair of non-current tangible assets and comply with the provisions of IFRS 16 are reclassified from inventories to construction in progress.

Dividends. Dividends are recognised as a liability and deducted from equity in the period in which they are declared and approved. Dividends are accounted for in the financial statements in the period when they are approved by the annual General Shareholders' Meeting. If dividends are declared subsequent to reporting period, but antecedent the approval of financial statements by the management, they are disclosed in the explanatory notes.

Ordinary shares. Ordinary shares are classified as the share capital. Costs directly attributed to the issue of new shares or options, net of taxes, are stated in equity reducing the proceeds received. Only the nominal value of shares is recorded in the share capital account. If the share issue price exceeds the nominal value, difference between the issue price and the nominal value is accounted for as share premium.

Equity. Equity and equity related reserves are presented in accounting books by type in accordance with legal regulations and the Company's articles of association.

The Company's equity is the assets value less value of all liabilities. The Company's equity includes:

- share capital - The share capital is equity paid in by shareholders and is stated at nominal value in accordance with the Company's articles of association and the entry in the Centre of Registers;
- share premium - Share premium is created by the surplus of the issuance value in excess of the nominal value of shares decreased by issuance costs;
- legal reserve - According to Lithuanian legislation an annual transfer of 5% of net profit to the legal reserve is compulsory until the reserve reaches 10% of the share capital. The legal reserve cannot be distributed as dividends and is formed to cover future losses;
- other reserves - Other reserves are formed according to the decision of the shareholder for specified purpose;
- retained profit (loss).

Provisions. Provisions are accounted for only when the Company has a legal or irrevocable obligation resulting from the past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The Company re-evaluate provisions at each balance sheet date and adjust them in order to present the most reasonable current estimate. If the effect of the time value of money is material, the amount of provision is equal to the present value of the expenses which are expected to be incurred to settle the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest.

Employee benefits. The Company does not have any adopted defined contribution and benefit plans and has no share-based payment schemes. Post-employment obligations to employees retired on pension are borne by the State. Short-term payments to employees are recognised as current costs in the period the services are rendered by employees. The payments include salaries, social insurance contributions, bonuses, paid leave, etc.

2. Significant accounting policies (continued)

Provisions for retirement benefits. Following the legislative requirements of the Republic of Lithuania, each employee at the age of retirement is entitled to a one-off payment in the amount of 2-month salary. The historical cost is recognised as expenses in the Statement of profit or loss and other comprehensive income immediately after the assessment of such liability. Any profit or losses which have appeared as a result of a change in benefit conditions are recognised immediately. The above-mentioned employment benefit obligation is calculated based on actuarial assumptions, using the projected unit credit method. The obligation is recorded in the Statement of financial position and reflects the present value of these benefits on the preparation date of the Statement of financial position. Present value of the non-current obligation to employees is determined by discounting estimated future cash flows using the discount rate which reflects the interest rate of the Government bonds of the same currency and similar maturity as the employment benefits. Actuarial profit and losses are recognised in other comprehensive income. Therefore, provisions are formed for the possible benefits. Actuarial estimates are carried out in order to assess the liability of such retirement payments.

Plans of bonuses. The Company recognizes the liability and expenses of bonuses when a contractual liability is present or a practice which created a constructive liability was applied in the past.

Revenue recognition. The Company recognizes revenue to depict transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company takes into account the terms of the contract and all relevant facts and circumstances. For that purpose the Company's revenue is recognised using the 5-step model:

Step 1 - Identify the contracts with a customer.

Agreement between two and/or more parties (depending on the conditions of purchase or sale), which creates enforceable rights and liabilities, is recognised as a contract. A contract is only recognised if the following criteria are satisfied:

- the parties have approved the contract (in writing, orally or in accordance with other usual business practices) and are bound by the obligations under the contract;
- each party's rights in relation to the goods and/or services to be transferred can be identified;
- the payment terms for the goods and/or services to be transferred can be identified;
- the contract is of commercial nature;
- it is probable to receive remuneration in exchange for the goods and/or services which will be transferred to a customer.

Contracts with the customer may be aggregated or disaggregated into separate contracts, while retaining the criteria of the former contracts. Such aggregation or disaggregation is considered modification of a contract.

Step 2 - Identify the performance obligations in the contract.

The contract establishes a promise to deliver goods and/or services to the customer. When goods and/or services can be distinguished, the obligations are recognised separately. Each obligation is identified in one of two ways:

- goods and/or a service is distinct;
- a package of distinct goods and/or services which are substantially the same and are transferred to the customer based on the same model.

Step 3 - Determine the transaction price.

The transaction price may be fixed, variable or both.

The transaction price is the amount to which the Company expects to be entitled in exchange for the transfer of goods and services. Transactions concluded by the Company are subject to fixed prices for both ongoing services and services performed at a given moment. Transaction price might comprise a fixed amount of consideration paid by the customer; however, sometimes it may also comprise variable consideration. The transaction price is also adjusted considering the time value of money, if the contract includes a significant financing arrangement, and considering any consideration payable to the customer. The Company applies the following sales price calculation methods: adjusted market assessment approach, expected cost plus margin approach and residual approach. Similar transactions are measured equally.

Step 4 - Allocate the transaction price to each performance obligation.

Normally, the Company attributes the transaction price to each performance obligation, based on relative separate sales prices of each promised good or service. If data on separate sales prices is not observed in the market, an entity performs its assessment.

2. Significant accounting policies (continued)

Step 5 - Recognize revenue when (or as) the Company satisfies performance obligations.

The Company recognize revenue when it satisfies a performance obligation by transferring promised goods or services to the customer (i.e. when the customer obtains control over the mentioned goods or services). The recognised amount of revenue is equal to the amount of the satisfied performance obligation. Performance obligation may be satisfied at a point of time or over time.

The Company relies on historical results, taking into account the customer type, the transaction type and the characteristics of each agreement.

Revenue is recognised by using the methods described below:

Service sales revenue

Revenue from sales of the services is recognised based on the moment when the services was rendered. The major part of payments for train tickets is made in cash. At the end of the period revenue, for which invoices have not been issued, but the services have been provided, is accrued based on the accrual principle.

Goods sales revenue

Revenue for the goods sold is recognised if all conditions below are met:

- The Company has transferred ownership control to a buyer;
- The Company retains neither further possession of the sold goods to the extent that is usually associated with ownership nor effective control;
- Amount of revenue may be reliably measured;
- It is probable that the Company will get economic benefit and transaction-related expenses incurred or to be incurred may be reliably measured.

Revenue is recognised at fair value of consideration obtained or to be obtained. Revenue is reduced by measured amounts of customer returns, discounts and other similar deferrals. Revenue is recognised when it is probable that the Company will get economic benefit and transaction-related expenses incurred or to be incurred may be reliably measured. Sales revenue is recognised after deducting the VAT and discounts, including accrued probable discounts for a reporting year.

Company's revenue is recognised in accordance with provisions of IFRS 15, i.e. the Company recognizes revenue to depict transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

After the customer gets control over goods and services revenue is recognised in accordance with IFRS 15. Establishment of the time of control transfer (at a point of time or over time) has to be decided.

Operating revenue generated by the Company includes the following:

- Passenger transportation revenue;
- Lease revenue;
- Other revenue.

Passenger transportation revenue

Passenger transportation revenue reflects revenue earned from transportation of passengers, luggage and mail. Revenue earned from transportation of passengers, luggage and mail is recognised at a given time when the services have been provided by delivering to a place agreed in a shipping document or upon expiry of a shipping document.

Sale of advance tickets makes up a small part of all revenue earned from ticket sales, and a date of purchase of a ticket usually matches a date of provision of the service.

Sales revenue from advance sale of tickets is attributed to the future periods of provision of services.

Other revenue

Other revenue consists of: wholesale trade and other revenue.

Operating revenue generated by the Company is recognised based on a moment of recognition of revenue:

- Recognised immediately;
- Recognised during the continuous period.

2. Significant accounting policies (continued)

Type of services	Nature, timing and payment conditions of operating liabilities	Revenue recognition
Income from passenger and luggage transportation	<p>Passenger and luggage transportation services are provided on the basis of train tickets sold. Most train ticket sales coincide with the date of carriage.</p> <p>Most of the revenue is paid immediately upon purchase of the ticket.</p> <p>Invoices for the carriage of passengers and related ancillary services shall be issued at the intervals agreed with the buyer in the contract, formed from the documents of the primary carriage of passengers and ancillary services after the provision of the service.</p> <p>The term for payment of invoices is usually 15 calendar days, for individual customers – 30 calendar days.</p>	<p>Revenue from the carriage of passengers, luggage and mail shall be recognised at a certain moment, as once the carriage is completed, the control of the service is transferred to the customer. The customer acquires the control over the service when he receives all benefit related to the carriage service.</p> <p>Revenue is recognised when the services have been provided, on arrival at the place agreed in the transport document or at the end of the period of validity of the transport document.</p> <p>Advance ticket sales represent a small portion of total ticket sales revenue, and the date of ticket purchase usually coincides with the date the service is provided.</p>
Other income	<p>Invoices for additional services provided are issued immediately after the services are provided. Income from the sale of goods is recognised when the goods are loaded from the warehouse. The normal payment term is 30 days.</p>	<p>Income is recognised at a certain moment, as the customer acquires the control over goods and services once the goods have been removed from the warehouse, and the services have been rendered. Services are considered provided when the deed of acceptance-transfer of the performed works is signed. The customer acquires the control over the good and service when he receives all benefit related to the good and service.</p>

Lease revenue

Revenue is recognised on a monthly basis when services are rendered. The amount of recognised revenue is determined on the basis of the signed deeds of services rendered. The amount of revenue from the lease of wagons is calculated in accordance with the issued accounting cards where the number of leased wagons and the lease period are determined. In cases where services under a single agreement are rendered during different reporting periods the consideration is allocated according to their relative individual selling prices. An individual selling price is determined on the basis of prices of services indicated in the agreement. Invoices are issued after the service has been rendered and the deed of transfer-acceptance of the performed works has been signed. The regular term for payment of invoices is 30 days. Lease revenue is accounted for in accordance with provisions of IFRS 16.

Recognition of expenses. Expenses are recognised on the basis of accrual and matching principles in the reporting period when the income related to these expenses was earned, irrespective of the time the money was spent. In those cases when the costs incurred cannot be directly attributed to the specific income and they will not bring income during the future periods, they are expensed as incurred. In financial reporting expenses are recognised in the event of decrease in assets or increase in liabilities which cause a decrease in equity, except for decreases related to allocations to the owners of the shares.

Expenses are usually estimated by the amount of money paid or payable, excluding VAT. In cases where a long settlement period and interest are not allocated, the expenses are estimated by discounting the settlement amount at the market interest rate.

Income and expenses from financial activities. Income from financial activities consists of interest income, fines, late payment interest, income from currency exchange. Interest income is recognised on an accrual basis using the effective interest method. Financial activity expenses include interest expenses, fines and late payment interest for delay of passenger trains. Borrowing expenses that is not directly attributable to the acquisition or production of a qualifying asset is recognised in the Statement of profit or loss and other comprehensive income statement, based on the effective interest method. The positive or negative effect of exchange rate changes is presented in the income statement on a net basis.

Government grants. State grants are state aid that is made in the form of a transfer of resources to an entity, provided that the entity has complied or will comply with certain conditions relating to the entity's principal activities. A state grant is not recognised until there is reasonable assurance that the entity will comply with the relevant conditions and that the grant will be received. A state grant may take a variety of forms, which may vary both in the nature of the grant and in the conditions normally attached to the grant.

2. Significant accounting policies (continued)

Grants related to income and expenses. Grants received to offset current or prior period expenses or unearned income, as well as all other grants, except for grants related to assets, are treated as grants related to income. Grants related to income are recognised as used parts to the extent that the expenses are incurred during the reporting period or the estimated loss of income for which the grant is intended to compensate. Grants to compensate for loss of income are recognised in article of grants in the Statement of profit or loss and other comprehensive income. Grants intended to offset specific expenses are recognised in the income statement by deducting the amount of the grant from the related amount of the related expenses.

Contingent assets and liabilities. Contingent liabilities are not recognised in the financial statements, except for contingent liabilities related to business combinations. They are disclosed in the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognised in the financial statements but are disclosed when it is probable that future economic benefits or service potential will flow to the entity.

Events after the reporting period. These are events that provide additional information about the Company's position at the Statement of financial position date. Adjusting events are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes when material.

3. Significant accounting estimates and judgements

Significant judgements

Date of putting the equipment into operation. The asset is put into operation and depreciation of the asset begins when the asset is ready for its intended use, i.e. when it is in that place and conditions which enable it to be used in the manner intended by management are guaranteed. The assets are put into operation after they have been properly tested and all permits for operation have been obtained.

Significant estimates and assumptions

Information on significant estimates and assumptions is provided below:

Useful lives of intangible assets and property, plant and equipment. The useful lives of assets are reviewed annually and adjusted if necessary to reflect the current assessment of the remaining useful lives, taking into account technological changes, future economic uses of the assets and their physical condition. If the expectations differed from previous estimates, the change would be accounted for as a change in an accounting estimate in accordance with IAS 8.

Revision of the remaining useful lives and liquidation values of non-current assets

As at 31 December 2021, the Company had 99 rolling stocks with the carrying value of EUR 17,001 thousand and which will no longer be in compliance with the requirements set forth in the EU legislation from 2025; however, in 2019, Lithuania exercised an exemption regarding non-application of the provisions set out in the *Regulation (EC) No 1371/2007 of the European Parliament and of the Council of 23 October 2007 on rail passengers' rights and obligations* (hereinafter – the Regulation) until 2 December 2024. Subsequent to 2 December 2024, the exemption from the Regulation shall not be applied; therefore, a railway undertaking providing public passenger transportation services, will be obliged to ensure that persons with reduced mobility due to disability, age or any other reason will have similar opportunities to travel by rail as the other citizens. Under the Technical Specifications for Interoperability (hereinafter - TSI), managers of railway undertakings and stations will have to ensure that stations, platforms that are recently under construction or modernisation, and rolling stocks and other facilities in acquisition or modernisation are available for persons with disabilities and persons with reduced mobility as well as to provide them with assistance. It is notable that the Regulation does not set forth that all rolling stocks owned by a railway undertaking shall meet the TSI requirements after the termination of the exemption.

The Article (3), (5) of the Commission Regulation (EU) No 1300/2014 of 18 November 2014 on Technical Specification for Interoperability (TSI) Relating to Accessibility of the Union's Rail System for Persons with Disabilities and Persons with Reduced Mobility sets forth that TSIs are applicable only to:

- 1) all new rolling stocks;
- 2) existing rolling stocks if they are upgraded or improved.

Article 2 (5) of TSI established that TSI are not applicable to existing rolling stocks which have already been put into operation.

Application of TSI to the old rolling stocks after the termination of the exemption is not provided for either in TSI or in the Regulation; they also do not set forth that the old rolling stocks are no longer allowed to be put into operation. However, after the termination of the Exemption, measures must be taken to ensure availability of stations, platforms, rolling stocks and other facilities as well as provision of information and assistance to persons with disabilities or with reduced mobility. It is notable that in case availability of these rolling stocks to persons with disabilities and persons with reduced mobility is ensured and necessary assistance and information in an appropriate manner are provided after the termination of the exemption, the requirements of European Union legislation will be met, and no sanctions will be foreseen.

3. Significant accounting estimates and judgements (continued)

The residual values of these rolling stocks were determined on the basis of valuation reports of external experts. In case the residual value decreased by 10% to 15%, depreciation would increase accordingly from EUR 665 thousand to EUR 998 thousand by the year 2029. Depreciation for 2022 would increase from EUR 191 thousand to EUR 286 thousand accordingly.

The management is of the opinion that these rolling stocks can be potentially used in less busy sections.

As at 31 December 2021, the management is aware that six railcars (out of 99), the residual value of which amounted to EUR 3,736 thousand as at 31 December 2021, will be modernised to comply with suitability requirements for passengers with disabilities. In the opinion of the management, expenses related to adaptation of railcars will amount to approximately EUR 60 thousand for one railcar. The remaining rolling stocks will be used until 2025-2029.

In 2020, further possibilities for use of this rolling stock were assessed and their remaining useful life was established. For a part of rolling stock, which will not be used at all after 2025, the depreciation rates were reduced.

In 2021, the revision of these passenger rolling stocks was performed, which is done on an annual basis, for liquidation or selling valuations, that is, an expert evaluation. Upon the moment of sale (before auctions), the valuation of assets is performed with assistance of external experts.

Impairment losses on property, plant and equipment. The Company reviews the carrying amounts of its property, plant and equipment at each Statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For the purpose of impairment testing, assets that generate cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units) are grouped at the lowest levels for which there are currently no cash flows.

Recoverable amount is calculated as the higher of two values: the fair value less costs to sell of the asset and the value in use of the asset. The value in use of an asset is calculated by discounting the future cash flows to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The recoverable amount of an asset that does not generate cash inflows is determined by reference to the recoverable amount of the cash-generating unit to which the asset belongs.

Duration of the lease period. In determining the lease term, management considers all the facts and circumstances that give rise to the economic incentive to exercise the option to extend the contract or not to exercise the option to terminate it. The possibility of extending the contract (or the periods after the possibility of terminating the contract) is provided for in the leases only if it can be reasonably expected that the lease will be extended (or not terminated). Lease contracts of premises which are connected by rail tracks or are in the service provision area are estimated as critical. Termination of such contracts is impossible because the leased objects or infrastructure next to those objects is adapted specifically to railway activities. Such contracts shall be extended until an infrastructure manager obtains the right to use assets-under-trust (pursuant to the provisions of the Railway Transport Code, the term is 20 years).

Discount rate. In assessing value in use, the estimated future cash flows are discounted to their present value using an additional borrowing rate that reflects current market assessments of the time value of money and the risks specific to the asset and have not been assessed for cash flows.

Impairment losses on receivables. The Company assesses receivables for impairment at least quarterly. In order to determine whether it is necessary to recognise an impairment loss in the Statement of profit or loss and other comprehensive income, the Company assesses whether there is any indication that future cash flows from receivables may be impaired until the impairment of a specific receivable is determined. Such indications include information that indicates a negative change in the financial condition of customers, economic conditions in the country or region that affect the Company's receivables. Management estimates the expected future cash flows from receivables based on historical loss experience with receivables with similar credit risk. The methods and assumptions used for estimating the expected future cash flows and their timing are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Write down of inventories to net realizable value. The Company reviews its inventory list at least annually to determine the net realizable value of inventories. Inventories acquired earlier than a year ago are reviewed to determine whether they can be realised in the future. In the case of slow-moving spare parts and other materials, impairment is recognised taking into account detailed operational plans according to each unit of inventories, their potential realisation period and preliminary realisation cost.

3. Significant accounting estimates and judgements (continued)

Provisions and contingent liabilities. The Company makes significant judgments in measuring and recognising provisions and contingent liabilities related to ongoing disputes or other outstanding claims that will be settled through negotiation, mediation or arbitration, and other contingent liabilities. The decision must be made in the light of the likelihood that the action will be settled favourably, or a liability will arise, and to quantify possible options for a final settlement. Due to the inherent uncertainties of this valuation process, actual losses may differ from the provisions initially calculated. These estimates may change as new information becomes available, primarily with the support of in-house professionals such as lawyers. Changes in estimates may have a material effect on the Company's results of operations.

Deferred income tax. Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the liability. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be utilised. The values of deferred tax assets shall be reviewed at the date of each Statement of financial position and reduced if the associated tax benefit is not likely to be used.

Impact of COVID-19 on key accounting estimates, assumptions and estimation uncertainties

When preparing these financial statements the management assessed accounting estimates the uncertainty of which has increased due to the COVID-19 pandemic and which the Company's management took into consideration when assessing the impact of COVID-19:

- **Business continuity.** The Company operates in one of the strategic and most secure state sectors and it can expect for the state support and guarantees when necessary. Following the draft strategic action plan for the management areas of the Minister of Transport and Communications of the Republic of Lithuania for the year 2022-2024, appropriations for implementation of programme "Ensuring Rail Transport" has been approved for the Company for the year 2022. The objective of the programme is to ensure passenger transportation on preferential conditions and provision of services by the routes which are not commercially viable to carriers, and yet necessary for the public. According to the programme, for implementation the measure of applying the discounts of 80% and 50% for the socially disadvantaged groups, established by the Law on Provision of Passenger Transport Services, the amount of EUR 2,335 thousand is estimated to be allocated in 2022. Also, according to the programme, for the measure of provision of passenger transportation services by railway by the established local routes, which are loss-making to carriers but necessary for the public, the amount of EUR 37,000 thousand is allocated in 2022.

The management of the Company has also assessed the cash-pool capacities within the Group, which would ensure the sufficiency of cash flows for carrying out its activities and in case if the Ministry of Transport and Communications of the Republic of Lithuania did not allocate additional appropriations for the Company. As at the time of preparation of the financial statements, settlements were carried out in a regular manner, and there are no indications in the Company that liquidity or credit risks increased, or that, through the aforementioned measures the Company's management would not be able to manage them. According to the assessment of the Company, present negative circumstances related to the virus do not cast any doubts as to business continuity of the Company and alter any long-term plans and objectives of the Company's activity.

The Company complied with all recommendation for prevention of COVID-19: as of announcement of the quarantine all employees, who do not deal with clients directly, were working from home, schedules of drivers and conductors were managed and rearranged in order to minimize contacts. Given that situation related to the outbreak of COVID-19 is very dynamic, at this stage it is complicated to reliably assess the potential impact on performance of the next year. However, the management expects that the appropriations allocated by the Government of the Republic of Lithuania and abilities to borrow within the Group will allow management of the activity and liquidity risks. Yet, the management cannot deny the probability that long "lockdown" periods, increasing stringency of measures or adverse impact of such measures on the economic environment where the Company operates will not have adverse impact on the Company, the financial position and performance thereof in the medium term. The management closely monitors the situation on a continuous basis and will take measures to mitigate the effect and such events and circumstances.

Climate change management measures and impact on the Company's activities

In implementing policy goals and sustainability management priorities set out in the Sustainable Growth Strategy 2040 of LTG, the group of entities AB Lietuvos Geležinkeliai pays particular attention to environmental protection. One of the essential strategic directions of the Group and its companies individually is the Green Deal. In 2021, the Group approved the Environmental Protection Strategy 2030+ which provides for the Group's environmental protection priorities and areas which are or may potentially be affected by activities of the Group entities as well as specific goals the achievement of which would mitigate such effect. The strategy has been prepared in accordance with the national law, international agreements (the Paris Agreement on climate change, the European Green Deal) related to environmental protection, including climate change. The Group is planning to invest in electrification of railways and in electric passenger and freight rolling stocks, it has been optimising energy consumption by modernising equipment, lighting, heating and other systems, it uses 100% of electricity from renewable sources, thus contributing to the efforts made by Europe and Lithuania to reduce impact on climate change.

3. Significant accounting estimates and judgements (continued)

Currently, the Company has not identified assets in use which may be affected by events or factors related to climate change. The Environmental Protection Strategy 2030+ also provides for an objective related to assessment of measures for adaptation to climate change and its consequences as well as to increase in resilience of railway infrastructure to climate change. In the opinion of the management, there is no need to account for additional depreciation, review of useful lives and residual values of assets or account for provisions as at 31 December 2021.

4. Standards and interpretations of standards not yet effective

The new standards, amendments to standards and interpretations that are effective for annual periods beginning on or after 1 January 2021 and have not been applied in the preparation of these financial statements are set out below:

Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

The amendments are effective for annual periods beginning on or after 1 January 2022. The amendments apply for contracts which are effective as at the initial application date of these amendments. As at the date of initial application, the overall impact of the amendments is recognised as an adjustment of retained earnings (losses) or other appropriate equity components at the beginning of the period. Comparative information is not recalculated.

Based on the currently available information, according to the assessment of the Company's management, the new amendments, after initial application, will not have a significant impact on the Company's financial statements.

Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16)

In May 2020 the International Accounting Standards Board published Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16) which prohibit an entity to deduct from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendments are effective for annual periods beginning on or after 1 January 2022. An entity applies the amendments retrospectively only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

Based on the currently available information, according to the assessment of the Company's management, the new amendments, after initial application, will not have a significant impact on the Company's financial statements.

First-time Adoption of International Financial Reporting Standards – Subsidiary as a First-time Adopter (Amendments to IFRS 1)

When carrying out the annual improvements process to IFRS standards 2018–2020, the International Accounting standards Board published First-time Adoption of International Financial Reporting Standards – Subsidiary as a First-time Adopter (Amendments to IFRS 1). These amendments permit a subsidiary which has chosen to apply the provisions of IFRS 1 (16), to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to IFRS Standards. These amendments are also applied to associates and joint ventures.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

Based on the currently available information, according to the assessment of the Company's management, the new amendments, after initial application, will not have a significant impact on the Company's financial statements.

Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendments to IFRS 9)

When carrying out the annual improvements process to IFRS standards 2018–2020, the International Accounting Standards Board published Amendments to IFRS 9 Financial Instruments. The amendments clarify the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only the fees paid, or received from, the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

An entity applies the amendments to financial liabilities which are modified or adjusted at the beginning of the period of initial application of the financial period.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

Based on the currently available information, according to the assessment of the Company's management, the new amendments, after initial application, will not have a significant impact on the Company's financial statements.

4. Standards and interpretations of standards not yet effective (continued)

IFRS 17 Insurance Contracts

Effective for annual periods beginning on 1 January 2023 with regard to the principle of comparability. Early application is permitted if an entity also applied IFRS 9 and IFRS 15 as at the date of IFRS 17 application or earlier. IFRS 17 replaces IFRS 4, which has allowed entities to continue using current practice for accounting for of insurance contracts. This made it difficult for investors to compare the financial performance of similar insurance companies. IFRS 17 is a general principles-based standard setting accounting requirements for all types of insurance contracts, including reinsurance contracts held by an insurer. The standard requires groups of insurance contracts to recognize and measure: (i) future cash flows (cash flows arising from the performance of the contract) at risk-adjusted present value, which includes all available information about the cash flows arising from the performance of the contract consistent with observable market data; by adding (if this value is a liability) or subtracting (if this value is an asset) (ii) an amount representing the unearned profit from the group of contracts (the contractual service margin). The profits generated by a group of insurance contracts will be recognised by insurers during the period when the insurance cover is granted and at the time of the risk exemption. If a group of contracts is or becomes unprofitable, the entity recognizes the loss immediately.

These amendments to the standard will not affect the Company's financial statements as it does not carry out insurance activities.

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

On 1 January 2020 the International Accounting Standards Board published amendments to Articles 69 and 75 of IAS 1 Presentation of Financial Statements by specifying the requirements for classification of liabilities as current or non-current. The amendments clarify:

- what is meant by a right to defer settlement;
- that a right to defer must exist at the end of the reporting period;
- that classification is unaffected by the likelihood that an entity will exercise its deferral right;
- that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual periods beginning on or after 1 January 2023 and must be applied retrospectively.

Based on the currently available information, according to the assessment of the Company's management, the new amendments, after initial application, will not have a significant impact on the Company's financial statements.

Reference to the Conceptual Framework (Amendments to IFRS 3)

In May 2020, the International Accounting Standards Board published amendments to IFRS 3 'Business Combinations – Reference to Conceptual Framework'. These amendments replace the reference to 'Framework for the Preparation and Presentation of Financial Statements', issued in 1989, with a reference to 'Conceptual Framework for Financial Reporting', issued in 2018, without significant change in their requirements. The Board has also supplemented IFRS 3 with an exception to the recognition principle in order to avoid '2nd day' potential gains or losses from liabilities and contingent liabilities that are accounted for in accordance with IAS 37 or IFRIC 21 'Levies', if they have been incurred separately. At the same time, the Board decided to revise the current guidance on contingent assets in IFRS 3, which will not be affected by the amendment to the reference to 'Framework for the Preparation and Presentation of Financial Statements'.

The amendments are effective for annual periods beginning on or after 1 January 2022 and must be applied retrospectively.

Based on the currently available information, according to the assessment of the Company's management, the new amendments, after initial application, will not have a significant impact on the Company's financial statements.

Definition of Accounting Estimates (Amendments to IAS 8)

In February 2021, the International Accounting Standards Board published amendments to IAS 8, which introduced the definition of accounting estimates. The amendments helps to distinguish changes in accounting estimates from changes in accounting policies and correction or errors. Furthermore, they also explain how economic operators use measurement methods and a contribution to preparation of the accounting estimates.

The amendments shall be applied to the reporting periods from 1 January 2023 and to changes of the accounting estimates, accounting policies, which are present as at the date of the beginning of this period or later.

Earlier application is permitted only provided that it was disclosed in the financial statements.

Based on the currently available information, according to the assessment of the Company's management, the new amendments, after initial application, will not have a significant impact on the Company's financial statements.

4. Standards and interpretations of standards not yet effective (continued)

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

In February 2021, the International Accounting Standards Board published amendments to IAS 1 and IFRS 2 Practice Statement 2 'Making Materiality Judgements' with guidance and examples to help economic operators to apply materiality judgments to accounting policy disclosures. The purpose of amendments is to help economic operators to prepare accounting policy disclosures which would be more useful as an entity is now required to disclose its 'material' accounting policy information instead of its 'significant' accounting policies, by adding guidance on how entities should apply the concept of materiality when adopting a decision on accounting policy disclosures.

The amendments are effective for annual periods beginning on or after 1 January 2023. Earlier application is permitted.

As guidance on application of the concept of materiality for information of accounting policy, presented in amendments to IFRS 2 'Practice Statement', are not compulsory, the date when they come into effect is not compulsory.

Based on the currently available information, according to the assessment of the Company's management, the new amendments, after initial application, will not have a significant impact on the Company's financial statements.

There are no other new or amended standards or interpretations that have not yet entered into force that could have a material effect on the Company.

5. Significant changes in accounting policy

The standards and amendments effective as of 1 January 2021 did not have a significant impact on the financial statements for 2021.

6. Financial instruments and risk management

Financial instruments. Fair value

The Company's main financial instruments not carried at fair value are trade and other receivables, trade and other payables, cash and long-term and short-term borrowings. According to the management of the Company, the residual values of these financial instruments are close to their fair values because the borrowing costs are linked to the interbank borrowing rate EURIBOR, while other financial assets and liabilities are short-term and therefore their fair value fluctuation is not significant.

The fair value of financial instruments is the value at which, at the valuation date, an asset or liability would be sold under current market conditions under a transaction on the underlying (or most advantageous) market, regardless of whether this price is directly monitored or determined by the valuation methodology.

The Company's financial instruments by their types consisted of:

	2021	2020
Financial assets		
Trade and other receivables	1,390	691
Cash and cash equivalents	29,081	17,389
Total	30,471	18,080
	2021	2020
Financial liabilities		
Lease liabilities	2,323	1,017
Trade and other payables	7,477	7,052
Total	9,800	8,069

Fair value is classified according to a hierarchy that reveals the significance of the initial valuation data used. The fair value hierarchy includes the following levels:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – original inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);

Level 3 – inputs for assets and liabilities that are not based on observable market data (unobservable inputs).

6. Financial instruments and risk management (continued)

The following is a comparison of the values of financial instruments:

	Carrying amount 2021			Net carrying amount 2021			Carrying amount 2020			Net carrying amount 2020		
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Financial assets												
Trade and other receivables	1,390	-	-	1,390	691	-	-	691				
Cash and cash equivalents	29,081	29,081	-	-	17,389	17,389	-	-				
Total	30,471	29,081	-	1,390	18,080	17,389	-	691				
Financial liabilities												
Lease liabilities	2,323	-	-	2,323	1,017	-	-	1,017				
Trade and other payables	7,477	-	-	7,477	7,052	-	-	7,052				
Total	9,800	-	-	9,800	8,069	-	-	8,069				

Cash and cash equivalents. These are monetary funds, the value of which is close to their real value.

Amounts receivable, payable. The carrying amount of short-term trade receivables and current trade payables approximates their fair value.

Risk management

The Company faces uncertainty about external and internal factors, identifies operational risks (strategic, financial, operational and compliance), anticipates their impact and likelihood, and seeks to mitigate them at least in part.

The Company is exposed to the following financial risks: credit, liquidity, exchange rates, interest rates and equity. This note provides information on the impact of these risks on the Company, objectives, policies and processes related to the assessment and management of these risks.

Credit risk. Credit risk arises from the credit risk incurred by money banks and trade receivables.

Credit risk is the risk that the Company will incur a financial loss if a buyer or other party fails to meet its contractual obligations.

The Company manages the credit risk through procedures. The basis of credit risk management of trade receivables is the assessment of customer reliability. The Company constantly assesses the creditworthiness of both potential and existing buyers/suppliers of services. If the buyer of the services is assessed as risky or the customer is new and does not have a history of cooperation with the Company, the terms of advance payment apply. When payments with customers are deferred, legal credit risk mitigation measures are used, such as credit insurance or pledging. Various credit risk management and mitigation measures are provided for in bilateral agreements between the Company and service buyers/suppliers: restrictions, guarantees for the fulfilment of contractual obligations and other measures protecting the Company's interests. Credit risk is monitored on an ongoing basis.

The majority of trade and other receivables amounting to EUR 884 thousand are receivables from related parties, receivables from external customers amount to EUR 9 thousand.

The Company's receivables from related party were not past due and were not impaired.

The Company's trade and other receivables subject to credit risk and expected credit loss as at 31 December 2021 amounted to:

	Initial value	Expected credit losses, %	Impairment	Carrying amount
Low risk	1,390	0.00%	-	1,390
Fair risk	-	0.00%	-	-
Increased risk	-	0.00%	-	-
High risk	-	0.00%	-	-
Total	1,390	-	-	1,390

6. Financial instruments and risk management (continued)

The Company's trade and other receivables subject to credit risk and expected credit loss as at 31 December 2020 amounted to:

	Initial value	Expected credit losses, %	Impairment	Carrying amount
Low risk	687	0.00%	-	687
Fair risk	3	0.18%	-	3
Increased risk	1	15.27%	-	1
High risk	3	100%	(3)	-
Total	694	-	(3)	691

Low risk – the buyer does not have any past due invoices;

Fair risk – the buyer has at least one past due invoice of up to 30 days;

Increased risk – the buyer has at least one past due invoice up to 90 days;

High risk – the buyer has at least one past due invoice over 90 days.

The Company uses a simplified method to calculate expected life credit losses over its life and uses a provision matrix for all trade and other receivables. In order to calculate expected credit losses, trade and other receivables are divided into separate groups according to the general characteristics of credit risk using a provision matrix. The amounts for each group shall be analysed according to the number of days past due. As trade receivables and other receivables do not normally include collateral or other credit protection, the expected loss ratio is consistent with the probability of default.

The Company determines credit risk based on historical data, taking into account overdue payments.

The Company's information on credit risk applicable to trade and other receivables and expected credit loss as at 31 December 2021 included:

	Expected credit losses, %	Initial value	Impairment	Carrying amount
Not past due	0.00%	1,390	-	1,390
1-30 days past due	0.00%	-	-	-
31-60 days past due	0.00%	-	-	-
61-90 days past due	0.00%	-	-	-
More than 90 days past due	0.00%	-	-	-
Total	-	1,390	-	1,390

The Company's information on credit risk applicable to trade and other receivables and expected credit loss as at 31 December 2020 included:

	Expected credit losses, %	Initial value	Impairment	Carrying amount
Not past due	0.00%	687	-	687
1-30 days past due	0.18%	3	-	3
31-60 days past due	15.27%	-	-	-
61-90 days past due	15.27%	1	-	1
More than 90 days past due	100%	3	(3)	-
Total	-	694	(3)	691

The Company's downward movement in the value of doubtful receivables from buyers was:

	2021	2020
Balance at the beginning of the period	(3)	(4)
Change in impairment of trade receivables	3	1
Balance at the end of the period	-	(3)

6. Financial instruments and risk management (continued)

Cash and cash equivalents consist of cash and cash in bank, so the credit risk associated with them is minimal. The Company's cash resources are subject to the principle of diversification, the funds are held in banks with an international credit rating of not less than Aa2, AA.

	2021	2020
Aa2; AA	5,616	753
Aa3; AA-	17,811	8,546
Baa1; BBB+	5,609	8,035
Baa2; BBB	19	38
Cash on hand	26	17
Total	29,081	17,389

The carrying amount of cash and cash equivalents approximate their fair value. Expected credit losses are not accounted for due to an insignificant risk of expected change in value.

Although economic circumstances may affect the recovery of debts, in the opinion of the Company's management, the Company is not exposed to a significant risk of incurring losses that would exceed the already recognised impairment.

Liquidity risk. Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they fall due. Risk management ensures that the Company will always have sufficient liquid assets and will be able to meet its obligations on time. Liquidity and solvency risk management involves the planning and control of cash flows and the forecasting of unforeseen events that may adversely affect cash flows and pose a threat to solvency and liquidity. Liquidity and solvency risk is assessed by monitoring and analysing the relative liquidity and solvency ratios, which assess the condition of both current and non-current liabilities and the effectiveness of cash flow management. According to the Company's standard policy, the payment period for suppliers is 45 days.

COVID-19 had no significant adverse effect on the liquidity of the Company. The Company had significant cash and cash equivalents balances throughout the year. The liquidity of the Company can be guaranteed through the group cash pool. Also, seeking to respond proactively to threats of the pandemic, in April 2021, enquires were made to the credit institutions, with which AB Lietuvos Geležinkeliai group companies were engaged, about a possibility of obtaining a committed credit line with a maturity of at least 12 months or overdraft. Proposals with favourable pricing were received, however in absence of a need for borrowing, no agreement was concluded with either credit institution.

As at the date of the financial statements, the Group and its companies did not face liquidity problems.

The Company's trade payables and lease liabilities are repaid using the undiscounted flow method:

	Trade and other payables		Lease liabilities	
	2021	2020	2021	2020
Within one year	7,477	7,052	145	183
From one to five years	-	-	485	338
After five years	-	-	2,103	832
Total	7,477	7,052	2,733	1,353

As at 31 December 2021 and 2020, the Company did not guarantee any loans.

Currency risk. Exchange rate risk is the risk that changes in market prices due to changes in foreign exchange rates will affect the Company's results or the value of available financial instruments.

During 2021, the Company did not enter into derivative financial transactions to manage the risk of exchange rate fluctuations with servicing banks.

The main currency of the Company's ticket sales is euro. The Company is not exposed to the risk of incurring losses due to foreign exchange rate fluctuations against the euro.

Interest rate risk. Changes in the interest rate do not affect the Company's result or the values of available financial instruments.

Capital management. The purpose of capital management policy is to maintain a sufficient share of equity to justify the confidence of investors, creditors and the market and to expand the business in the future. The Company's management and the Board monitor the return on capital and, taking into account the Company's financial results and strategic plans, make proposals for the payment of dividends.

6. Financial instruments and risk management (continued)

According to the Republic of Lithuania Law on Companies, the share capital of a joint-stock company must be at least EUR 40 thousand (private limited liability companies – at least EUR 2.5 thousand), and equity at least 50% of the Company's share capital.

The Company's management controls compliance with the provisions of the Republic of Lithuania Law on Companies stating that if the Company's equity becomes less than 1/2 of the share capital specified in the Articles of Association, the Board must convene a general meeting of shareholders not later than within 3 months from the day on which it became aware or should have become aware of the situation, which must consider the issues referred to in Article 59 (10) (2) and (11) of this Law. The situation in the Company must be rectified no later than within 6 months from the date on which the Board became aware or should have become aware of the situation.

During 2021, the Company complied with the requirements of the abovementioned provisions of the Law on Companies of the Republic of Lithuania.

7. Property, plant and equipment

The Company's property, plant and equipment consisted of:

	Buildings and structures	Machinery and equipment	Vehicles	Other equipment, fittings and tools	Construction in progress and prepayments	Total
Acquisition cost						
31 December 2019	3,733	572	139,893	579	-	144,777
- acquisitions per year	5	-	3,930	-	-	3,935
- transferred from current assets	-	-	-	-	577	577
- transferred to current assets	-	(38)	-	(34)	-	(72)
- assets sold, written off, disposed	-	(11)	(343)	(28)	-	(382)
- reclassifications	-	-	-	-	-	-
31 December 2020	3,738	523	143,480	517	577	148,835
- acquisitions per year	17	25	5,128	-	(407)	4,763
- transferred from current assets	-	-	-	-	-	-
- transferred to current assets	-	-	(203)	-	-	(203)
- assets sold, written off, disposed	-	(21)	(322)	(13)	-	(356)
- reclassifications	-	4	(4)	-	-	-
31 December 2021	3,755	531	148,079	504	170	153,039
Accumulated depreciation and impairment losses						
31 December 2019	(153)	(70)	(3,731)	(39)	-	(3,993)
- depreciation	(457)	(143)	(11,486)	(130)	-	(12,216)
- impairment during the year	-	-	-	-	-	-
- transferred to current assets	-	38	-	35	-	73
- assets sold, written off, disposed	-	6	23	24	-	53
- reclassifications	-	-	-	-	-	-
31 December 2020	(610)	(169)	(15,194)	(110)	-	(16,083)
- depreciation	(456)	(95)	(12,082)	(50)	-	(12,683)
- impairment during the year	-	-	-	-	-	-
- transferred to current assets	-	-	63	-	-	63
- assets sold, written off, disposed	-	13	34	13	-	60
- reclassifications	-	(4)	4	-	-	-
31 December 2021	(1,066)	(255)	(27,175)	(147)	-	(28,643)
Carrying amount						
31 December 2019	3,580	502	136,162	540	-	140,784
31 December 2020	3,128	354	128,286	407	577	132,752
31 December 2021	2,689	276	120,904	357	170	124,396

7. Property, plant and equipment (continued)

The sum of the depreciation and amortization costs included in the Statement of profit or loss and other comprehensive income was EUR 12,867 thousand. This amount includes EUR 12,662 thousand of depreciation of property, plant and equipment, EUR 204 thousand of depreciation of right-of-use assets, and there were no amortization costs of intangible assets. Capitalised depreciation and amortization amounted to EUR 21 thousand. The cost of the Company's fully depreciated but still used property, plant and equipment amounted to EUR 159 thousand. Vehicles comprised for the majority of fully depreciated property, plant and equipment.

8. Right-of-use assets

The Company's right-of-use assets consisted of:

	Land	Buildings and structures	Vehicles	Other equipment, fittings and tools	Total
Acquisition cost					
31 December 2019	-	209	70	4	283
- acquisitions per year	-	2,196	12	-	2,208
- assets sold, written off, disposed	-	(1,398)	-	-	(1,398)
- reclassifications	-	-	-	-	-
31 December 2020	-	1,007	82	4	1,093
- acquisitions per year	245	2,348	10	-	2,603
- assets sold, written off, disposed	-	(1,243)	(5)	(4)	(1,252)
- reclassifications	-	-	-	-	-
31 December 2021	245	2,112	87	-	2,444
Accumulated depreciation and impairment losses					
31 December 2019	-	(12)	(9)	-	(21)
- depreciation	-	(162)	(33)	(1)	(196)
- impairment during the year	-	-	-	-	-
- assets sold, written off, disposed	-	112	-	-	112
- reclassifications	-	-	-	-	-
31 December 2020	-	(62)	(42)	(1)	(105)
- depreciation	(8)	(160)	(36)	-	(204)
- impairment during the year	-	-	-	-	-
- assets sold, written off, disposed	-	178	4	1	183
- reclassifications	-	-	-	-	-
31 December 2021	(8)	(44)	(74)	-	(126)
Carrying amount					
31 December 2019	-	197	61	4	262
31 December 2020	-	945	40	3	988
31 December 2021	237	2,068	13	-	2,318

9. Intangible assets

The Company's intangible assets consisted of:

	Software	Other intangible assets	Prepayments	Total
Acquisition cost				
31 December 2019	159	20	-	179
- acquisitions per year	-	-	-	-
- assets sold, written off, disposed	(1)	(20)	-	(21)
- reclassifications	-	-	-	-
31 December 2020	158	-	-	158
- acquisitions per year	-	-	104	104
- assets sold, written off, disposed	-	-	-	-
- reclassifications	-	-	-	-
31 December 2021	158	-	104	262
Accumulated amortization and impairment losses				
31 December 2019	(52)	(4)	-	(56)
- amortization	(107)	(6)	-	(113)
- impairment during the year	-	-	-	-
- assets sold, written off, disposed	1	10	-	11
- reclassifications	-	-	-	-
31 December 2020	(158)	-	-	(158)
- amortization	-	-	-	-
- impairment during the year	-	-	-	-
- assets sold, written off, disposed	-	-	-	-
- reclassifications	-	-	-	-
31 December 2021	(158)	-	-	(158)
Carrying amount				
31 December 2019	107	16	-	123
31 December 2020	-	-	-	-
31 December 2021	-	-	104	104

10. Other non-current assets

Other non-current assets of the Company consist of prepayments amounting to EUR 330 thousand for the use of the ticketing system. The costs will be written off over the period during which access to the system is provided.

11. Inventories

The Company's inventories consisted of:

	2021	2020
Fuel	62	63
Supplies	76	63
Spare parts	1,995	704
Other	50	28
Total raw materials, supplies and components	2,184	858
Purchased goods for resale	8	93
Total goods purchased for resale	8	93
Total	2,191	951

The carrying amount of the Company's inventories of EUR 2,240 thousand (in 2020: EUR 972 thousand) was reduced by EUR 69 thousand (in 2020: EUR 21 thousand) to the net realizable value as at 31 December 2021. The change in the write-down of the Company's inventories to net realizable value is reflected under the item of expenses of write-down to the net realizable value in the Statement of profit or loss and other comprehensive income.

During 2021, inventories of EUR 5,122 thousand were written off at cost of sales (in 2020: EUR 4,816 thousand).

12. Trade and other receivables

The Company's trade and other receivables included:

	2021	2020
External trade receivables, gross value	9	20
Impairment (-)	-	(3)
Total external trade receivables	9	17
Receivables from related parties	884	354
Impairment (-)	-	-
Total receivables from related parties	884	354
VAT receivable	742	868
Other receivables from the budget	640	336
Accrued income from related parties	-	3
Accrued income	492	312
Other receivables	5	5
Impairment (-)	-	-
Total other receivables	1,879	1,524
Total	2,772	1,895

The change in impairment is disclosed in Note 6.

13. Prepayments

The Company's prepayments consisted of:

	2021	2020
Prepayments to external suppliers	-	8
Prepayments to related parties	329	-
Guarantees paid to related parties	31	44
Deferred expenses	231	108
Total	591	160

14. Cash and cash equivalents

The Company's cash and cash equivalents consisted of:

	2021	2020
Cash in the bank	29,055	17,372
Cash on hand	26	17
Total	29,081	17,389

As at 31 December 2021, the Company had no current deposits. Cash was not pledged./

In order to ensure more efficient fund management and the liquidity of the Group companies, on 21 December 2018 the Group's cash-pool agreement was signed with AB Swedbank. On 29 August 2019, UAB LTG Link signed an agreement to join the Group's account. Under this agreement, the members of the Group may borrow and lend funds to the members of the Group on a mutual borrowing platform for a maximum period of one year under market conditions. As at 31 December 2021, the Company had no receivables or liabilities under this agreement.

15. Non-current assets held for sale

	2021	2020
Non-current assets held for sale	280	36
Total	280	36

In 2020, the Company's management was actively carrying out the sale of the diesel locomotive with the carrying amount of EUR 180 thousand. As at 31 December 2020, the Company's management adopted a decision on write-down of assets to the net realizable value. The impairment of non-current assets held for sale, amounting to EUR 144 thousand, was accounted for in the Statement of profit or loss and other comprehensive income, with a purpose to reduce the carrying amount of the assets. As at 31 December 2021, the Company's management adopted a decision impairment reversal of write-down of assets to the net realizable value. Reversal of impairment of non-current assets held for sale amounting to EUR 104 thousand was accounted for in the Statement of profit or loss and other comprehensive income in order to increase the carrying amount of the asset.

As at 31 December 2021, non-current assets held for sale mainly comprised passenger wagons and diesel locomotives. Most of sales are carried out by auction.

16. Share capital

The nominal value per share of the company is EUR 919.05. The change in the share capital is presented in the following table:

	Share	Number of shares, units
Subscribed share capital		
31 December 2019	156,237	156,237
Increase	-	-
Decrease	12,647	-
31 December 2020	143,590	156,237
Increase	-	-
Decrease	-	-
31 December 2021	143,590	156,237
Capital structure at the end of the reporting period		
By type of shares		
Ordinary shares	156,237	156,237
Privileged shares	-	-
Total	156,237	156,237

17. Other reserves

Following the decision regarding approval of the financial statements for the year 2020 and profit distribution made by the sole shareholder of UAB LTG Link – AB Lietuvos Geležinkeliai – on 8 April 2021, it was decided to allocate EUR 144 thousand of retained earnings of 2020 to other reserves for investments.

18. Lease liabilities

	2021	2020
Non-current part	2,256	869
Current part	67	148
Total	2,323	1,017

The lease contracts consist of vehicle, premises and land lease agreements. Vehicle contracts are concluded for a period of 3 years without the possibility of contract extension. Leases of buildings are usually concluded for a period of 3 years with the possibility of extending the lease for the period of 20 years. When determining the lease period, the Company's management evaluates all facts and circumstances, which give rise to economic incentives to avail themselves of the possibility to extend or terminate the contract.

Short-term leases of 12 months or less and lease payments for low-value assets are recognised directly as expenses in the Statement of profit or loss and other comprehensive income.

The discount rate applicable to lease contracts is 6-month EURIBOR and the market margin estimated by a market survey in accordance with applicable market conditions.

In 2021, newly concluded contracts were subject to the interest rate charged by the Company by calculating the weighted average cost of capital (WACC) from the most recent audited annual financial statements and using the cost of debt component.

Impact of right-of-use assets and liabilities on the Statement of financial position (increase / (decrease)) as at 31 December 2021:

	2021	2020
Assets:		
Right-of-use assets	2,318	988
Non-current liabilities:		
Lease liabilities	(2,256)	(869)
Current liabilities		
Lease liabilities	(67)	(148)
Impact of previous year to the income of profit or loss and other comprehensive income	(17)	(12)
Impact on the Statement of profit or loss and other comprehensive income	12	(17)

Impact on the Statement of profit or loss and other comprehensive income (increase / (decrease)) as at 31 December 2021:

	2021	2020
Depreciation costs	(204)	(112)
Lease costs	234	111
Operating profit (loss)	30	(1)
Financial operating costs:		
Interest	(18)	(16)
Profit (loss) for the reporting period	12	(17)

Impact on the statement of comprehensive income and cash flow (increase / (decrease)) as at 31 December 2021:

	2021	2020
Net profit (loss)	12	(17)
Depreciation costs	204	112
Interest on the lease liability	18	16
Cash flow from investment activities		
Lease liability payments	(216)	(95)
Interest on lease liability	(18)	(16)
Net cash flow increase (decrease)	-	-

If the discount rate applicable at the Company increased or decreased by 1%, the amount of lease liabilities as of 31 December 2021 would accordingly make up EUR 2,091 thousand or EUR 2,623 thousand.

Costs of short-term and low-value lease, accounted for in the Statement of profit or loss and other comprehensive income, amounted to EUR 491 thousand.

19. Employee benefits

According to the laws of the Republic of Lithuania, an employee of the Company, who retires at retirement age, is entitled to a benefit in the amount of 2-month salary. In addition, under a valid collective agreement, an employee with 25 years of service is paid a benefit of up to 1-month average salary. Provisions for pensions and similar liabilities also include anniversary benefits. According to the collective agreement in force in the Company, a benefit of EUR 300 is paid to the members of the trade union at the age of 50 and 60.

The key assumptions used in estimating the Company's non-current employee benefits liabilities are set out below:

	2021	2020
Discount rate	0.76 %	0.4 %
Employee turnover rate	9.81 %	7.95 %
Salary growth rate	1.9 %	1.9 %

Change in employee benefits during 2021 by type:

	31 December 2020	Calculated to the Statement of profit or loss and other comprehensive income	Capitalised costs	Paid	Balance as of 31 December 2021
Non-current liabilities					
Provisions for pensions and similar liabilities	670	(166)	-	(17)	487
Total non-current liabilities:	670	(166)	-	(17)	487
Current liabilities					
Accumulated leave	721	1,321		(1,427)	615
Wages and salaries payable	531	5,726	386	(6,135)	508
Social security contributions payable	273	3,103	7	(3,129)	254
Personal income tax payable	186	2,496	-	(2,532)	150
Other employment-related liabilities	630	430	-	(608)	452
Total current liabilities:	2,341	13,076	393	(13,831)	1,979
Total	3,011	12,910	393	(13,848)	2,466

20. Prepayments received

The prepayments received by the Company consisted of:

	2021	2020
Prepayments received	1,502	3
Prepayments received from related parties	1	1
Total	1,503	4

In 2021, most of the prepayments received, amounting to EUR 1,496 thousand, was from the state budget to compensate for losses in passenger transport by train on local transport routes.

21. Trade and other payables

The Company's trade and other payables consisted of:

	2021	2020
Trade accounts payable	348	566
Trade accounts payable to related parties	3,789	2,390
Cash guarantees received	72	2
Cash guarantees received from related parties	15	16
Other taxes payable to the budget	109	74
Accumulated costs	3,340	4,096
Deferred income	692	239
Other accounts payable and liabilities	7	6
Total	8,372	7,389

21. Trade and other payables (continued)

The Company recorded a liability of EUR 31 thousand for audit services under accrued expenses.

The major part of trade payables to related parties consists of the management fee, based on the calculation of the management service fee of the shareholder AB Lietuvos Geležinkeliai, in accordance with the management services agreement of 20 July 2019.

The major part of accrued expenses comprise EUR 3,280 thousand to related parties for management and infrastructure services.

22. Revenue

The Company's sales revenue consisted of:

	2021	2020
Revenue from passenger transportation:	19,099	13,044
Revenue from domestic passenger transportation	12,212	9,965
Revenue from international passenger transportation	5,979	2,733
Revenue from services related to passenger transportation	908	346
Other sales revenue:	432	634
Leased assets	217	223
Other income	215	411
Total	19,531	13,678

Income from passenger transportation of the Company includes also the compensation accounted for in 2021 in the amount of EUR 2,044 thousand (in 2020 – EUR 1,670 thousand) for the provision of passenger transportation services with discounts of 80% and 50% to socially disadvantaged groups established by the state.

The Company's revenue according to the moment of revenue recognition consisted of:

	2021	2020
Recognised immediately	19,314	13,455
Recognised over an ongoing period	217	223
Total	19,531	13,678

23. Grant

In 2021, the grant of loss compensation for transportation of passengers by train on domestic transport routes amounted to EUR 37,629 thousand (in 2020 – EUR 35,979 thousand).

In 2021, by the decision of the Company's management, the grant of loss compensation for transportation of passengers by train on domestic transport routes was reclassified from the item 'Other income' in the Statement of profit or loss and other comprehensive income to the item 'Grants'. In the opinion of the management, it is more accurate to distinguish the Company's income related to the grant from other income. Comparative figures of 2020 were revised accordingly.

24. Expenses related to employee benefits

Expenses related to employee benefits by type:

	2021	2020
Wages and salaries	12,973	13,001
Social security contributions	225	233
Accrued vacation reserve	(105)	(326)
Pensions and similar liabilities	(183)	2
Total	12,910	12,910

25. Net finance income

The result of the Company's financing activities consisted of:

	2021	2020
Total finance income	165	171
Currency exchange gain	51	28
Penalties and default interest for overdue trade receivables	108	143
Interest	6	-
Total finance costs	(7)	(19)
Interest	-	(16)
Penalties and interest for delays in passenger trains	(7)	(3)
Total	158	152

26. Income tax and deferred tax

Income tax was calculated at a rate of 15%.

	2021	2020
Income tax adjustment of the previous year	40	(4)
Income tax for the reporting year	-	-
Deferred tax expenses (benefit)	701	(130)
Total income tax expense (benefit) recognised in profit or loss	741	(134)

The Company's income tax costs (benefit) consisted of:

	2021	2020
Profit or loss before tax	4,648	(341)
Income tax	697	(51)
Non-deductible (deductible) expenses	73	(74)
Non-deductible (deductible) income	(70)	(5)
Income tax adjustment of the previous year	40	(4)
Total income tax expense (benefit)	740	(134)
Effective rate	15.92 %	39.30%

Deferred tax assets and deferred income tax liabilities are offset to the extent that the deferred income tax liability is realised at the same time as the deferred income tax assets. In addition, they are affiliated with the same tax administration authority.

The Company's deferred tax movement was:

	31 December 2020	Change in 2021	Balance as at 31 December 2021
Deferred tax assets:			
Impairment of receivables and write-off of hopeless debts	1	(1)	-
Write-off of inventories	76	(26)	50
Accrued vacation reserve and bonuses	204	(42)	162
Long-term employee benefits liability	100	(27)	73
Accrued costs	-	135	135
Difference in the value of non-current assets with tax value	55	(55)	-
Tax losses	548	(215)	333
Deferred tax assets	984	231	753
Deferred income tax liability			
Difference in the value of non-current assets with tax value	-	(470)	(470)
Deferred income tax liability	-	(470)	(470)
Deferred tax asset (liability), net	984	701	283

27. Related party transactions

Parties are considered to be related when one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

As defined in IAS 24 "Related party disclosures", an entity is related to a reporting entity if at least one of the following conditions is met:

- The Government of the Republic of Lithuania acts as the owner of all shares of UAB LTG Link;
- Companies or institutions are managed by the Government of the Republic of Lithuania;
- Parent company AB Lietuvos Geležinkeliai;
- Subsidiaries of the parent company AB Lietuvos Geležinkeliai;
- AB Lietuvos Geležinkeliai related, non-consolidated associated and joint ventures;
- Board members and their close relatives;
- All key management;
- Persons who are family members of the key management of the reporting Company.

For entities operating in an environment where state control is extensive, most counterparties are also related to the state and are therefore considered to be related parties. IAS 24 permits a reporting entity to reduce disclosures about transactions and balances, including liabilities with:

- The government that controls, has joint control over, or has significant influence over, the reporting entity; and
- another entity that is a related party because the same government controls, has joint control over, or has significant influence over both the reporting entity and the other entity.

Due to the abovementioned reasons, the Company does not disclose transactions with the Government of the Republic of Lithuania and other economic entities controlled by the Government of the Republic of Lithuania.

Related party transactions of the Company:

	2021		2021	
	Purchases	Sales	Receivables	Payables
AB Lietuvos geležinkeliai	14,669	7,158	1,164	1,264
AB LTG CARGO	3,910	422	23	1,508
AB LTG Infra	8,190	344	57	1,030
UAB Geležinkelio tiesimo centras	-	8	-	3
UAB Vilniaus lokomotyvų remonto depas	644	15	-	-
UAB Gelsauga	-	-	-	-
UAB Saugos paslaugos	-	1	-	-
Total	27,413	7,948	1,244	3,805

	2020		2020	
	Purchases	Sales	Receivables	Payables
AB Lietuvos geležinkeliai	12,215	3,824	273	1,405
AB LTG CARGO	26	458	56	6
AB LTG Infra	6,317	411	47	567
UAB Geležinkelio tiesimo centras	-	7	-	3
UAB Vilniaus lokomotyvų remonto depas	2,377	50	22	426
UAB Gelsauga	31	-	-	-
UAB Saugos paslaugos	-	2	-	-
Total	20,966	4,752	398	2,407

27. Related party transactions (continued)

The Company's accrued income and expenses with related parties accounted for in the Statement of profit or loss and other comprehensive income as at 31 December 2021:

	2021		2020	
	Accrued receivables	Accrued payables	Accrued receivables	Accrued payables
AB Lietuvos geležinkeliai	-	2,307	45	3,126
AB LTG Infra	-	973	-	909
UAB Vilniaus lokomotyvų remonto depas	-	-	3	-
Total	-	3,280	48	4,035

According to the methodology of the AB Lietuvos Geležinkeliai Group, all transactions with related parties are carried out under market conditions and comply with the arm's length principle.

Management remuneration and other benefits

As at 31 December 2021, the number of executives was 7 people; i.e. 1 Chief Executive Officer, 1 Head for Business Development and Marketing, 1 Head for Corporate Operations, 1 Head for Technical Development Projects, 1 Head for Passenger Services, 1 Head for Train Operations, 1 Head for Rolling Stock Maintenance.

	2021	2020
Management remuneration	486	439
Incentives**	130	77
Accrued long-term benefits***	2	3
Number of executives	7	7
Allowances for members of the Board	-	-
Number of Board members	5	5

**Incentives are performance bonuses and lump sums.

***Accrued long-term benefits are provisions for pensions and other similar liabilities, accrued as at the end of the year of the reporting period.

As at 31 December 2021, no loans, guarantees, or other paid or accrued benefits or disposals of assets were made to the Company's management other than as set forth above.

28. Contingent assets and liabilities

The Tax Authorities have not performed full-scope tax investigations at the Company. The Tax Authorities may inspect accounting, transaction and other documents, accounting records and tax returns for the current and previous 3 calendar years at any time, and where appropriate, for the current and previous 5 or 10 calendar years and impose additional taxes and penalties. Management of the Company is not aware of any circumstances which would cause calculation of additional significant liabilities due to unpaid taxes.

Legal disputes

During 2021, The Company was not involved in any litigation.

29. Events after the reporting period

Information about the impact of the military actions of the Russian Federation in the territory of Ukraine on the Company's operations

On 24 February 2022, the Russian Federation started active military actions in Ukraine. The military actions in Ukraine have led to a situation that is difficult to predict not only in Ukraine but also in many countries, and that will affect all business sectors.

A decree of the President of the Republic of Lithuania imposes a state of emergency on the entire territory of Lithuania for the period from 24 February 2022 to 10 March 2022. The Government is proposed to take a decision to deploy the State Reserve and to ensure enhanced protection, including cyber protection, of significant enterprises, installations and assets of national security importance, as well as of objects of national importance and risk.

On 24 February 2022, the United States, the United Kingdom and the European Union imposed sanctions against Russia. The European Union sanctions include punitive measures against the financial, energy and transport sectors of the Russian Federation, as well as trade restrictions on dual-use goods, export and its financing.

29. Events after the reporting period (continued)

Given the unpredictable nature of the situation related to the military action in Ukraine and the rapidly evolving nature of the actions of the Lithuanian and other governments, it is difficult to reliably assess the potential impact on the annual results. The Company's management cannot exclude the possibility that the sanctions imposed on the Russian Federation, the increase in their severity, or the negative impact of such measures on the economic environment in which the Company operates will not have a negative impact on the Company's financial position and results of operations in the medium-term and the long-term.

A significant portion of the Company's revenue, not taking into account the grants from the state budget, comprises income from passenger transportation by transit trains to (from) Kaliningrad (in 2021, it comprised 30% of transportation revenue). Suspension of this transportation would affect the increase in loss in passenger transportation by domestic trains and the need for additional grants from the state.

In addition, the announced plans of the USA and the European Union to disconnect the Russian Federation and the Republic of Belarus from the international settlement system SWIFT causes a risk related to settlement of those countries for the rendered services.

Given the political situation, its further dynamics and impact on activities of passenger transportation by transit trains to (from) Kaliningrad, upon need, the Company, in the future, will review the investment program, will increase the control of expenses and will optimise its activities.

There were no other significant events after the end of the reporting period, which have to be recognised or disclosed in the financial statements for 2021.



UAB LTG LINK
Sustainability Report of 2021
(unaudited)

SUSTAINABILITY REPORT

The global transport system and supply chains are undergoing major changes due to the rapidly changing demographic, social, macroeconomic and geopolitical environment. The European Commission's target of crucial importance is to become the first climate-neutral continent until 2050, which requires major changes and transport. Railways are the transport of the future, and their importance in Europe will only increase with the change in the concept of mobility, the era of fossil fuels giving way to clean power and the attraction of other renewable energy sources. Fostering sustainable performance will help organizations build a competitive advantage in the passenger transport sector, encourage a range of stakeholders to choose more sustainable modes of transport.

For these reasons, the LTG Link, the operation whereof is based on environmental protection, social partnership, good governance and economic progress, as well as the creation of value for the state, seeks to contribute to a more sustainable future through its actions. To achieve this goal, the LTG Group started to develop a Sustainability Policy in 2021 - a document aimed at setting the goals and objectives of sustainability activities, sustainability principles and priorities, governance model, defining key sustainability-related activities and procedures in the Group and its subsidiaries. This policy sets out the priorities for the relevant areas of sustainability in which the LTG Link has the greatest impact on the environment and seeks to create the greatest value. Given the significant contribution and impact of the LTG Link activities at the national level, sustainable activities aim to contribute not only to the organization of LTG Link or the Group's activities, but also to the state's progress in the field of sustainability.

Sustainable activities in LTG Group are based on the principles of the United Nations Global Compact, the resolutions of the Paris Agreement, the European Union Strategy Papers (the European Commission's Communication on Promoting Corporate Social Responsibility, the Green Paper), the International Labour Organisation Declaration on Fundamental Principles and Rights at Work and Good Governance, the State Coordination Centre established by the Government of the Republic of Lithuania to ensure the implementation in state-owned enterprises and other recommendations in the field of sustainability.

STAKEHOLDERS

Sustainability management throughout the LTG Group is centralised and equally important for all the Group companies and activities.

Close and proactive communication and cooperation with stakeholders is a high priority in the activities of LTG Link. LTG Link identifies 10 key stakeholders in its activities and bases its sustainability activities on their expectations, assessing potential impacts.

Main stakeholders in activity of LTG Link:

- Employees
- Parent company (LTG)
- State authorities, regulators
- Non-governmental, international institutions, association
- Business partners
- Private customers
- Suppliers
- Partners
- Communities
- Media

LTG Link carries out activities relevant to the society and the whole country: it ensures smooth transport of passengers in environmentally friendly transport; LTG Group is one of the country's largest employers and taxpayers. Due to the nature of its activities and its impact on the society, it is particularly important for LTG Link to identify, assess and respond to the expectations of all stakeholders.

LTG Group plans to conduct regular reviews of its environmental, economic and social impacts and priorities, taking into account stakeholders' expectations and the latest available scientific information. Also, based on the good practice and recommendations, LTG Link and the entire LTG Group are committed to regularly improving its performance and compliance with sustainability standards.

The information presented in this report details the wide-ranging impact of LTG Link activities on all environmental, social and governance stakeholders in the identified priority areas for sustainability.

SUSTAINABLE DEVELOPMENT GOALS AND OTHER INTERNATIONAL AGREEMENTS

LTG Link, as well as LTG Group, implements its strategic goals and sustainability management priorities, seeks to make a direct contribution to implementation of the global Goals for Sustainable Development established by the United Nations Global, with a particular emphasis on:

Good health and well-being (goal 3),

- Decent work and economic growth (goal 8),
- Industry, innovation and infrastructure (goal 9),
- Sustainable cities and communities (goal 11),
- responsible consumption and production (goal 12),
- Climate change mitigation (goal 13) priorities.



In addition to the stated goals, LTG Link also contributes to other global priorities such as efficient use of energy and natural resources, gender equality, the aim to reduce hunger and poverty, to ensure access to quality education, etc.

Through its actions and initiatives, the LTG Group contributes to the implementation of the European Green Deal and the Paris Agreement, committing itself to reduce net CO₂ emissions to zero by 2050. The aim is to gradually reduce CO₂ and particulate emissions, therefore the goal has been set to reduce overall CO₂ emissions from rail transport by 30% and reduce specific CO₂ emissions by 50% through freight and passenger transport by the year 2030, compared to 2005.

LTG Group is committed to the principles of the Global Compact in the areas of human rights, employee rights, non-discrimination, environmental protection, the development of environmentally friendly technologies and the fight against corruption.

ENVIRONMENTAL AREA

The Company has a goal to double the number of transported passengers by 2030, as compared to 2017. The Company seeks to achieve this goal by complying with common obligations of the LTG Group of companies to environmental protection: efficiently uses energy and natural resources, seeks solutions to reduce the negative impact of its activities on the environment and climate change.

Rail transport is one of the environmentally friendliest modes of transport, consuming up to ten times less fuel for freight and passengers than road transport. Together with the constantly improved legal framework of the European Union and balanced financial support, this creates preconditions for the development of environmentally friendlier railway transport business, improving the technical-technological and organizational mechanisms of railway transport interaction with other modes of transport. In this context, LTG can be proud of its successful development results.

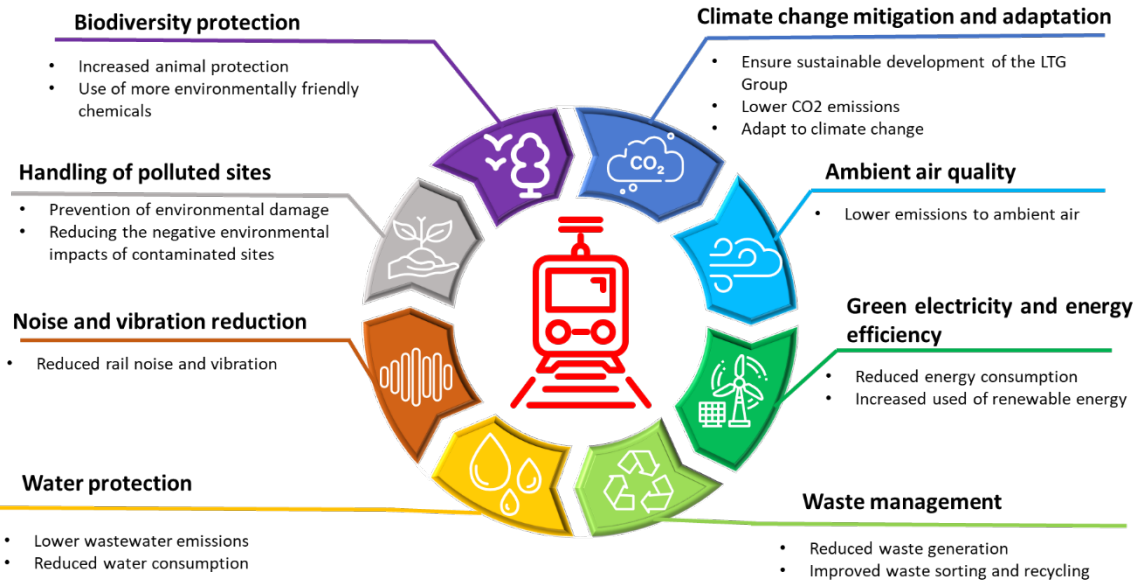
The modern economy is inseparable from the transport sector. Railways are one of the greenest modes of transport and have not lost their relevance and importance for many years. However, transportation by different vehicles leaves a different footprint in nature. For example, when traveling on the route Vilnius-Kaunas by an electric train, CO₂ emission per passenger seat is 0 kg, by a bus – 1.57 kg, by a car – 3.49 kg. According to the data of the Lithuanian Department of Statistics, trains accounted for only 2.7% of the total greenhouse gas emissions of transport in Lithuania in 2019.

In the Company, the performance of environmental protection functions is centralised. In order to comply with the requirements of environmental legislation, internal environmental inspections are carried out, periodic control of pollutants released and discharged into the environment is performed, and reports on the impact of activities on the environment are submitted.

REDUCTION OF CLIMATE IMPACT

As a socially responsible company, LTG Link, as well as LTG Group, operates in compliance with its environmental obligations: it uses energy and natural resources efficiently and seeks solutions to reduce the negative impact of its activities on the environment and climate change.

In this context, the Environmental Protection Strategy 2030+ of LTG Group (hereinafter referred to as “the Strategy”), which is relevant to all Group companies, and the essence of which is to set the environmental protection objectives of LTG Group until 2030, and provide for measures to implement them in order to reduce the negative effects on the environment and climate change in a targeted manner and become a climate-neutral organization by 2050, was prepared and approved in 2021. The strategy specifies 8 main priorities of LTG Group:

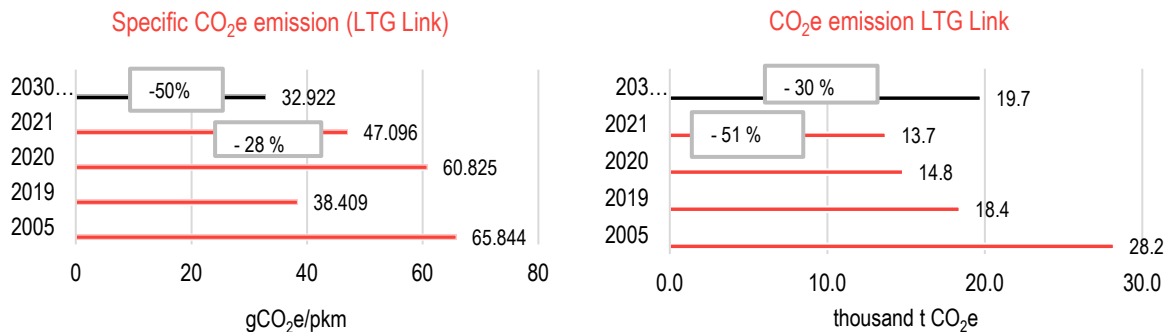


CLIMATE CHANGE MITIGATION

The climate change mitigation objectives of LTG Group, as set out in the Strategy, are as follows:

- By 2030, reduce the total greenhouse gas emissions (CO₂e) from rail transport by 30%, compared to 2005.
- By 2030, reduce specific CO₂e emissions (emissions directly related to such activity volumes as passenger or freight turnover) by 50% for freight and passenger transport, compared to 2005.

In 2021, the total CO₂e emissions from passenger transport were 15.1 tonnes CO₂e, showing a 2% increase compared to 2020 and even 46% compared to 2005. LTG Link has already achieved its strategic climate change mitigation target to reduce the total amount of CO₂e emissions; however, even though the emission increased insignificantly over the year, this indicates an increase in fuel consumption possibly due to the growing number of passengers. Specific CO₂e emissions have decreased by 21% to 51.9 gCO₂e/pkm for passenger transport and compared to 2005. Specific CO₂e emissions have also decreased by 15% compared to 2020, and in 2021 more passengers were transported with lower energy costs.



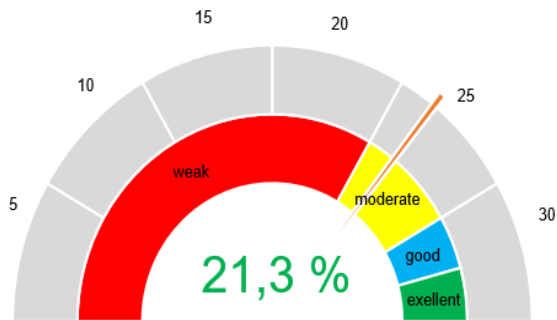
To achieve these goals, LTG Group is developing projects that will significantly contribute to climate change mitigation and to LTG Group's ambition to become a climate-neutral organisation by 2050:

- Electrification projects (electrification of the Kaišiadorys - Klaipėda (Draugystės station) line, the Vilnius railway junction and the Kaunas - Kybartai (Kaišiadorys - Palemonas - Kybartai) line);
- Acquisition of electric trains and battery electric trains;
- Creation of a charging infrastructure for passenger train batteries.

GREEN POWER AND ENERGY EFFICIENCY

The Strategy defines the following energy efficiency targets:

Portion of RES energy consumed in transport of passengers



- to reduce energy consumption in passenger transport by 40% by the year 2030, and to reduce energy consumption by 50%, by the year 2050, compared to the year 2005.
- by the year 2030, to achieve 30% of rail transport energy consumption from RES.

While the energy efficiency of passenger transport in 2021 improved by 6% compared to 2005, it has increased by as much as 14% compared to the year 2020. This is due to the increased passenger traffic and to the various energy-saving measures applied in train management.

In 2021, RES energy in passenger transport accounted for 21.3% of the total energy demand. RES include the part of biofuel in diesel fuel and green power. Already since 2019, 100% green power, i.e. **electricity generated from renewable energy sources, is used throughout the LTG Group, both for electric traction and for other applications such as lighting or heating.** The use of green electricity in electric traction for passenger transport saved 4,300 tonnes of CO₂e in 2021 (3.8% more than in 2020).

The following projects are being carried out to achieve the energy efficiency objectives:

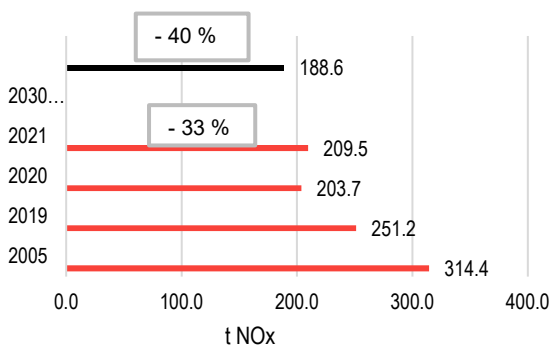
- Establishing a performance appraisal system for drivers;
- Preparation of train control maps to maintain fuel rates;
- Structuring and improving the motivational system and training programme for drivers;

Projects to achieve climate change mitigation objectives will also make a significant contribution to improving energy efficiency, in particular the acquisition and operation of electric traction rolling stock on the extended electrified rail network.

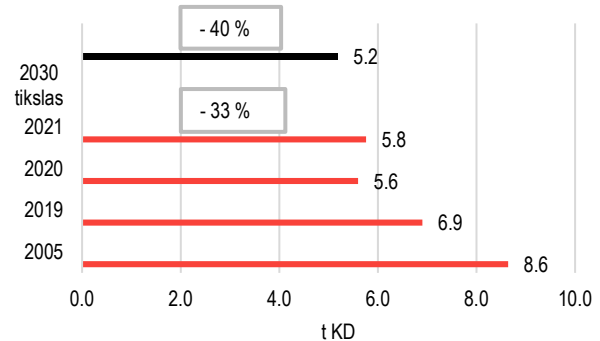
AMBIENT AIR QUALITY

In addition to mitigating the impact of its activities on climate change, the LTG Group's Strategy commits to improving the quality of ambient air and has set a target to ensure that the LTG Group's emissions of pollutants to ambient air from traction rolling stock in 2030 are 40% lower than in 2005. The main pollutants emitted by traction vehicles are hard particles and nitrogen oxides. These pollutants are particularly harmful to public health and the environment, and can form toxic smog under unfavourable dispersion conditions. Emissions to ambient air will be reduced through the renewal of the traction rolling stock through the acquisition of electric traction rolling stock, the timely implementation of electrification projects and the increased use of renewable energy sources.

Air pollution (nitrogen oxides) from traction rolling stock LTG Link



Air pollution (hard particles) from traction rolling stock LTG Link

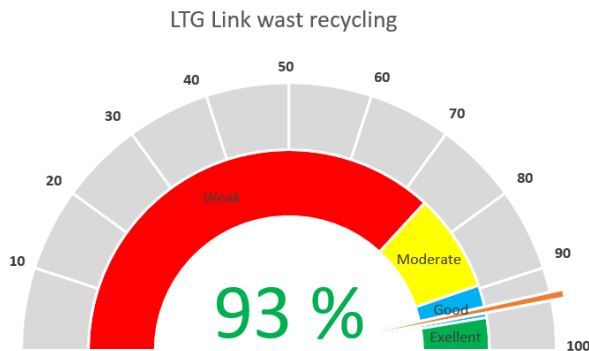


In 2021, rail passenger transport emitted 209.5 tonnes of nitrogen oxides and 5.8 tonnes of hard particles, a 33% reduction compared to 2005 but an increase of 3% compared to 2020 due to the increased quantity of diesel fuel consumed for passenger transportation.

WASTE MANAGEMENT AND THE CIRCULAR ECONOMY

Waste management priorities of LTG Link are to reduce the amount of waste generated, to ensure safe management of waste for human health and the environment, and the rational use of resources, thus reducing the use of natural and other resources and landfilling. The target is to achieve by 2030 that 98% of the waste generated by LTG Group was suitable for recycling or energy recovery. In 2021, **recyclable and energy-efficient waste** of LTG Link **accounted for over 93% of waste generated in total**.

The growing focus on the circular economy has contributed to the excellent results. Used oil, scrap metal, batteries, paper and cardboard and plastic waste and packaging are sorted and collected separately and sold to waste managers for reuse or recycling. Also, one of the important factors to improve waste sorting and recycling is the education of employees: in 2021, the Environmental Protection **organised trainings for all employees** of LTG Group, as well as the heads of the divisions had an opportunity to get acquainted with the waste management process in the hazardous waste incineration company UAB Toksika.



On the Group level, since 2019, we have been significantly **reducing the amount of paper** used for printers and documents. Thanks to the “No Paper” project, in 2021 we achieved remarkable results, **with 91% of all Group documents being digital**, signed only with an electronic signature and using no paper.

To improve the conditions for passengers to sort waste and recyclables, **new two-compartment sorting containers made of recycled plastic have been introduced on all electric trains**. Also this year, recycling bins have been installed in the waiting areas of passenger service stations, in a total of 41 stations.

DIGITALISATION AND THE PROMOTION OF INNOVATION

LTG Link, as well as the entire LTG Group, is undergoing digital transformation. Digitalization contributes to environmental protection, provides a wider opportunity to enter new areas of activity, increase and diversify revenue flows, and make a significant contribution to increasing productivity and efficiency.

A modern company is able to grow, improve and remain competitive in an ever-changing market only through a modern process management, therefore LTG Link implements modern operational and management processes, strengthens employees' competencies, which allows to increase operational efficiency and improve customer service. By moving many day-to-day complex processes to the digital space it is aimed to make the most efficient use of resources, increase the speed and validity of decisions, reduce the likelihood of errors and strengthen security.

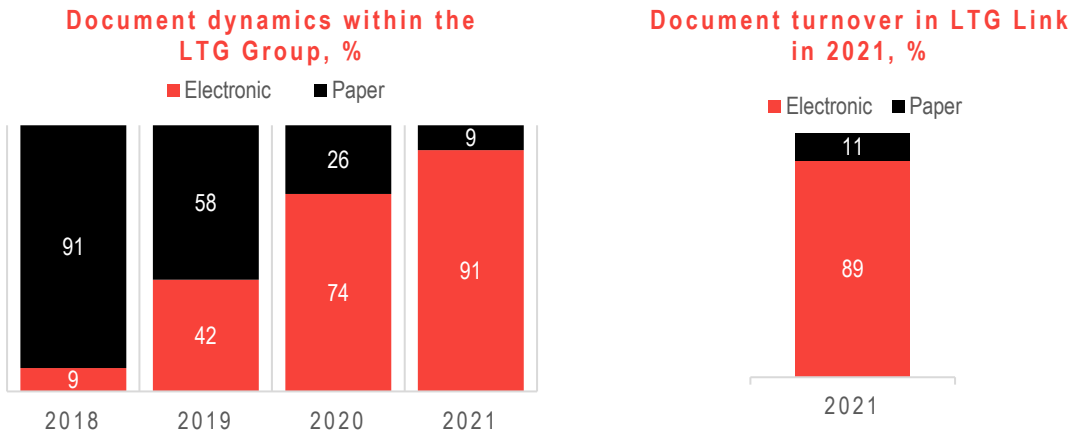
Project samples:

LTG Link continued the implementation of **the Smart Ticketing** project in 2021. The new ticketing system will allow passengers to buy train tickets via a mobile app, an updated website or ticket vending machines at stations. The system will be tailored to different passenger needs. The system will help to keep customers seamlessly informed about possible changes to their journeys, increase the efficiency and digitalisation of the service and is expected to lead to higher levels of customer satisfaction. The new ticketing system is expected to be launched in the first half of 2022.

Digitisation of LTG Link's Train Maintenance Unit. In order to digitise all work processes, the department will be paperless by 2021. Smartphones with access to a unique in-house developed app were distributed to all employees in the department. The data travels to Sharepoint, where it is visually displayed via Power BI. In this way, the mobile Power Apps are used to plan and allocate all the department's work, and to ensure control of the work being done. The digitisation of this process allows the entire process chain to be made more efficient.

"Move" (formerly SAP ERP Modernisation Programme) is the largest change program in the LTG Group launched in 2021, helping to implement the principles of modern work: it will be the backbone, connecting all operations from sales, customer management, to assets, production, finances. This programme is necessary due to the current fragmented business processes, the absence of a single correct source of information, the limited capabilities of the current system, and will provide operations with efficiency, integrity, flexibility, and a competitive advantage in the market. In 2021, the SAP/Move change has been launched in LTG HR and is focused on facilitating the use of HR services, such as taking leave or reviewing work schedules. Planned achievements are in the areas of quality management, inventory planning and procurement. Changes are also planned for LTG Link by the end of 2023.

The implementation of the project “No Paper” is continued in LTG Link as well as throughout the LTG Group, the aim whereof is to reduction of paper costs, sustainable use of natural resources, as well as streamlining of work processes in the organization. After optimization of business processes and a careful review of the turnover of all documents, it has already been achieved that the main business documents are mostly signed electronically by managers and employees, and in 2021 the share of paper documents in LTG Link decreased to as much as 9% of total document turnover.



Successful and timely implementation of the project “Modern Team” of entire LTG Group is the first of the Mobile-first cloud-first strategy projects. 2.5 years after the start of the project, aspirations have become a reality: all old e-mail systems have been turned off, all data were transferred to the cloud, all employees have access to the Microsoft 365 platform. The implementation required the transfer of 8,071 employee accounts to the cloud, replacement of 4,000 laptops and desktops, and more than 5,400 Microsoft Teams-enabled phones. Now employees have the opportunity to work comfortably and efficiently from all devices at any time, easily reach colleagues, schedule meetings, organize video conferences. The result: 2,474 teams were created on Teams, an average of 20,000 virtual meetings take place per month, 125,000 calls and 5,000,000 minutes are spent in virtual meetings.

In the second half of 2021, LTG Digital, a company of the LTG Group, started to create a cyber security operational centre, which is important to all companies of the LTG Group, including LTG Link. The Centre will take care not only of technical IT security measures and respond to the attacks that have already taken place, but it will also take operational and preventive actions: monitor and analyse information and virtual space, identify potential threats and preventive measures to prevent threats (which is not usually done by cyber security centres in companies). In the initial stages of the project, a team is formed, tools are tested and the development of processes begins. The establishment of the Cyber Security Operational Centre is of great importance in order to protect the operation of the Lithuanian railways as one of the most important infrastructures in the country.

The Ministry of Transport and Communications, LTG Infra and other public sector institutions and telecommunications service operators have signed a memorandum committing themselves to cooperating in the development of 5G communications in Lithuania. The development of 5G connection in Lithuania will be carried out in three stages. In 2025, in the final phase, 5G connection will cover the territories of all cities, the international transport corridors Via Baltica, Rail Baltica, national roads, railways and airports and seaports. This modernization will also result in better convenience for customers of LTG Link – passengers travelling by train.

In order to ensure centralised and efficient management, administration and control of IT services in the Information at the LTG Group level, the unified IT service management tool ServiceNow implemented in the Technology Centre during the ITSM project carried out by LTG Digital and used ever since 2020, continues to be successfully developed in the stages planned for 2021.

Based on this tool, ITC services are provided to the entire LTG Group and it provides an opportunity to take the management of IT services to a new level by using one of the best rated products on the market. The main goal and the biggest benefit is a unified system that combines the management of IT services into one ServiceNow interface. This allows IT services to be provided in accordance with the best practices in the world, based on the ITIL methodology. This project addresses the lack of specialised tools or the management of IT services in different tools.

The LTG Group, as of 1 January 2022, LTG has renounced the status of a fixed line operator and the wired connection is no longer working (as many as 3,400 wired connection points were smoothly switched off). The service has been provided since 2005, i.e. for more than 17 years. LTG communication was not only used by employees, it was also provided to other companies and individuals. This initiative has led to the abandonment of another indirect non-railway activity, while allowing a greater focus on the Company’s core activities.

SOCIAL AREA

The Company strives to be such a company that generates great socioeconomic benefits, and that the employees of the Company are proud of and realize that only transparent, open, efficient activities based on modern management principles promote the progress of the state economy. As a result, responsibility is felt not only in respect of the shareholders but also in respect of the employees and society as a whole.

LTG Link's goal of sustainable growth is unimaginable without sustainable integration into society, so social partnership is an area to which a special attention is paid. Considerable investments are made in education, social initiatives and campaigns, and communication with the public is based on **the principles of equal opportunities, social welfare, security and human rights.**

ENSURING WELL-BEING OF EMPLOYEES AND DEVELOPING AN ORGANIZATIONAL CULTURE OF HIGH PERFORMANCE

Both LTG Link and the entire LTG Group pay a special attention to ensuring the well-being and functional competencies of its employees, as well as to raising human capital and encouraging employees to become engaged in the activities. The aim is to develop an effective social dialogue with employees and create more comfortable working conditions by implementing advanced technological solutions and providing employees with the necessary work tools and benefits. The leadership of employees and managers is encouraged and the importance of digital competencies for both current and potential employees is actively promoted through educational initiatives with social and educational partners. A high-performance organizational culture is formed and maintained, the aim is to create employee behaviour based on the LTG Group's (including LTG Link) values in daily activities, increase employees' involvement and loyalty and develop employees' honesty and respect for people.

SOCIAL PARTNERSHIP

The Company has **19 trade unions**. Just as in the entire LTG Group, the Company applies the collective agreement of the branch of the Lithuanian Railway Companies Group, and the general procedure of additional benefits for employees is in force.

At the beginning of 2021, information on the Company's position, structure, past and planned changes was presented to the employees' representatives, the Company's business plans, wage changes and expected trends, the results of the implementation of occupational safety and health measures, helping to improve the working environment, were discussed, and the fulfilment of the collective agreement in 2020 was reported.

In order to strengthen the social dialogue with the employees' representatives and implement the provisions of the collective agreement of the branch, LTG Group organised trainings for the chairmen of the trade unions on the topics of **remuneration and feedback.**

Meetings with employees' representatives are held on a regular basis to discuss issues of importance to employees. The Company's planned projects and projected changes are introduced to employees' representatives, and issues affecting the social and economic situation of employees are discussed.

REMUNERATION AND PERFORMANCE MANAGEMENT

The general principles of remuneration formation are focused on:

- attracting, motivating and retaining highly qualified and competent employees;
- encouraging employees to improve;
- ensuring internal justice in remuneration for work and employees' efforts;
- continuous improvement of employees' conditions;
- motivating employees through a package of added benefits;
- effective personnel cost management

Classical elements are used to achieve the identified tasks through remuneration management: methodological appraisal of positions; periodic comparison of internal remuneration data with the market and implementation of the review; the direct link between the possibilities of the change in remuneration and the efficiency of the employee's activities - the results of achieving the annual goals.

A local scale of corporate positions is used to publish the results of methodological job evaluation in the organization. Each employee is given the opportunity to see the corporate levels of their position and other positions in the organization. At the same time, information on the remuneration levels of each corporate level is available to each employee. In this way, the principles of transparency are established in the organization and preconditions for self-assessment and planning of internal career opportunities are created.

Every year, a periodic review of remuneration is conducted, which is linked to the comparison of the existing remuneration of employees with the market, the Company's financial results and the budget allocated for the review, as well as the assessment of the annual performance of each employee. The periodic review of remuneration generally takes effect on April 1 of each year.

At the end of the financial year and after evaluating the results achieved by the Company, an annual incentive fund is allocated to employees. Such fund is an incentive for employees at the initiative of the employer for a job well performed and positive results of the Company, as specified in Article 139(2)(6) of the Labour Code of the Republic of Lithuania. This incentive is also forward-looking as an incentive for employees, and individual annual incentive opportunities are linked to the corporate levels of positions and the evaluation of each employee's annual performance.

The decision on both the budget for the periodic review of remuneration and the annual incentive fund is adopted by the Board of the Company after a detailed assessment of all the circumstances.

The package of additional benefits includes one-off benefits for the birth of an employee's child or death of a close family member, support in the event of a natural disaster, loyalty benefits for employees leaving the organization at the retirement age, additional leave and other benefits provided for by the Sectoral Collective Agreement and the Remuneration Methodology. Employees are also provided with accident insurance and additional voluntary health insurance, which compensates employees for outpatient and inpatient treatment and diagnostics, preventive health check-ups and vaccinations, prescription drugs and medical aids. In addition, staff can choose between dental, rehabilitation or optician services. Each year about 80% of employees choose to take out supplementary voluntary health insurance.

Remuneration principles and additional benefits are defined in the Sectoral Collective Agreement, Personnel Policy, Remuneration Methodology. The principles of formation of the remuneration of the top management are defined in the Top Remuneration Policy approved by the Board of the Company.

The process of managing and evaluating the performance of employees remains focused on establishing a culture of high performance, personal responsibility and continuous feedback, and the principle of "the best are rewarded the most".

TRAINING AND DEVELOPMENT OF COMPETENCES

LTG Link promotes professional and personal development of its employees by creating a work environment that promotes continuous professional growth and a culture of continuous learning. In the organization, priority is given to self-education, learning at a workplace, and internal training.

In 2021, the **SAP SuccessFactors virtual learning management system platform**, based on global best practices, was launched. By applying the best practices of international organizations, each employee is encouraged to independently plan the timeliness of mandatory training, to independently register for the published training in the virtual training library. Each manager has received the tools to monitor their team's training plans, the progress of each employee, and plan for the future competencies of individual employees and their development. The Company has supported and improved the qualification of employees with digitised solutions - e-learning, remote case studies etc.

The Company regularly organizes internal and external training and periodic certifications in order for the employees to acquire or update professional knowledge, strengthen the required skills and maintain a high professional level. In 2021, **951 employees of the company participated in mandatory professional and in-service training**. Workers performing high-risk work, working with and maintaining potentially hazardous equipment have been trained in safe working methods. According to internal mandatory vocational training programmes on traffic safety and occupational safety and health (prepared in accordance with the provisions of the Law on Railway Safety of the Republic of Lithuania and European regulations), 893 employees participated in training and 58 employees studied at external training institutions.

The **LTG Internal Lecturers Club**, established in 2019, brings together employees who want to share their knowledge, experience, value the benefits of knowledge sharing, and create and nurture a culture of knowledge sharing in our organization. In 2021, we learned from each other the basics of feedback, strategic planning and management, change and project management, performance management, and more. Over 62 LTG Link employees took part in these trainings.

Strengthening leadership is one of the LTG Group's priorities. Managers **strengthened their leadership competencies in the training of LTG Management Academy**, which has been operating since 2019, in the areas of operational efficiency, team leadership, operational infrastructure, personal efficiency, and work with clients. In 2021, the academy received 41 participants from LTG Link. The internal training programme "LTG Manager Standard" on the basic principles and standards of team leadership, which is taken by each new manager, continues. It was attended by 6 new executives of the company.

Much attention is paid to the feedback culture in the organization. For the third year in a row, a **360-degree feedback survey** of leadership competencies is conducted, during which each leader receives comprehensive and high-quality feedback on their leadership competencies from the immediate work environment - immediate supervisor, colleagues and subordinates, identifies strong and to-be-improved behaviours and develops individual learning plans. In 2021, 43 LTG Link executives participated in the feedback survey.

Not only professional but also soft competencies have been strengthened. **Training programmes for personal effectiveness at work** have been supplemented with current topics on feedback, emotional intelligence, creative thinking, innovation, adaptability to change (adaptability) and lifelong learning. 133 employees of the Company took part in this training. In 2021, the Company's employees were offered remote lectures focused on strengthening well-being at work, psychological resilience, psychological and physical health.

DEVELOPMENT OF ORGANISATIONAL CULTURE

Focus on employees is one of the strategic directions of the LTG Group, primarily implemented through the development of organizational culture. In March of this year, the LTG Group Management Committee reviewed and approved 5 priority cultural goals of the LTG Group organization: **leadership, openness and trust, talents and career, focus on high results, physical work environment.**

Every year, LTG Group conducts an **extended survey of the factors influencing the culture of the organization – Employees' Voice**. The survey evaluates 3 key indicators: employees' engagement, satisfaction, loyalty (eNPS). In addition, other critical areas influencing organizational culture, such as collaboration, careers and education, organizational values, performance management, customer orientation, leadership, diversity management, empowerment, the workplace, and occupational safety, are evaluated.

In the current year, more than 600 LTG Link employees (87%) participated in the Employee's Voice survey. The extremely high activity rate shows the willingness of employees to talk about how satisfied they are at work and what they would like to change. High activity also ensures the reliability of the test results.

The results are encouraging:

- **Employees' engagement: 52%.** Employees' engagement increased by 8 percentage points over the year. This indicator shows what proportion of employees are confidently proud of their workplace, constantly and proactively striving to do more for the company than is required and are true ambassadors of their organization. Employees' engagement in excess of 60% is generally considered to be extremely high in companies. Therefore, the significantly increased participation rate of LTG Link in recent years has brought it closer to the best organizations.
- **Employees' satisfaction: 71%.** Employee satisfaction increased by 6 percentage points over the year. This result is also extremely positive, as it is 1% higher than the average of Lithuanian companies and shows that more than 400 LTG Link employees are generally completely satisfied with their organization.
- **Employees' Loyalty (eNPS): -5.** The employer's NPS indicator (net promoter score) shows how likely it is that employees will recommend the organization to others as a place of employment. This indicator increased by 5 points compared to the last year.

Based on the results of the Employees' Voice Survey, individual priorities for the development of the organization's culture that are significant to specific activities have been identified. In summary, most of this year's initiatives focus on improving collaboration, internal communication, preparing for change, and internal career development.

EQUAL OPPORTUNITIES

The Company, just as the entire LTG Group, follows the **Equal Opportunities Policy, the Group's Rules of Procedure and the Code of Ethics**, which define the principles of ensuring equal opportunities and diversity and the measures for their implementation.

We value a person's uniqueness by paying a special attention to his or her competencies and experience, therefore we promote diversity and the implementation of equal opportunities in order to create a work environment in which everyone has equal opportunities to succeed. We strive to treat all existing and potential employees fairly and respectfully at all stages of their employment, to ensure that no employees are discriminated against, and that all employees have equal opportunities to realize their potential, regardless of personal differences.

The Company, as well as the entire LTG Group, does not tolerate direct or indirect discrimination, instructions to discriminate, any form of harassment, psychological violence, bullying or abuse of position.

Reports of equal opportunities or other violations may be submitted to Personnel Management Employees by e-mail manrupi@ltg.lt or through the hotline channels - phone (8 5) 269 3600 or e-mail prevencija@bekorupcijos.lt.

COOPERATION WITH EDUCATIONAL INSTITUTIONS

In 2021, LTG Link continued its successful cooperation with various Lithuanian educational institutions. During **KTU WANTed Career Day that has taken place in the Kaunas University of Technology, we strengthened the knowledge of future specialists** about the railway sector, we presented career and growth opportunities. The broadcast was watched live by almost 9,000 people in the KTU academic community. A meeting was organised at Vilnius Gediminas Technical University with freshmen who chose to study Transport Engineering. Much attention was paid to the field of railway transport as a promising field for future engineers.

In July-August of 2021, the **project of paid internship "Growing Leaders" was held** for the third time. In 2021, four high school students of Lithuania joined LTG Link for the summer internship. During the project, the young specialists had the opportunity to apply the theoretical knowledge gained at the university in practice, contribute their ideas and real work to the group processes, participate in interesting excursions to get acquainted with LTG Group activities and work in groups to develop LTG strategic goals. At the end of the internship project, 2 project participants remained in the team of LTG Link to continue the works that were started.

We have cooperated with an education and higher education **magazine "Reitingai" and have prepared an article** on the topic "Future Career: What It Is Important to Know before Choosing It?". We talked to an employee of LTG Link about his chosen career and discussed on the extent to which knowledge and skills acquired at university are useful in his everyday work.

OPENNESS TO SOCIETY AND COOPERATION WITH THE COMMUNITIES

LTG Link considers the proactive, timely information and involvement of communities and concerned community groups in the activities, sustainability, transparency and other initiatives to be an important priority. LTG Link undertakes to periodically educate and acquaint the public and communities with the activities of railways and sustainable transport, ongoing and planned projects, and actively develops a mutual dialogue. The accountability of all forms to all stakeholders is constantly strengthened, and the aim is to make all relevant information public in the most acceptable ways and formats. A culture of openness and transparency is fostered within the Company.

The Company realizes that only transparent, open, efficient activities based on modern management principles promote the progress of the state economy. Therefore, the Company feels responsible not only towards the shareholders but also towards the society as a whole.

PROMOTING SUSTAINABLE LOGISTICS

Railways are recognised in the European Union as the environmentally friendliest mode of transport with the lowest GHG emissions from passenger transport. That is why 2021 has been declared the European Year of Railways in Europe. In 2021, LTG Link contributed to the promotion of more sustainable, ecological travel by actively communicating the green and environmental friendliness of trains.

The International Transport Innovation Forum presented awards of the competition **Towards the Green Communication** aimed at sustainable logistics solutions and initiatives. During the awards initiated by LTG, Lithuanian companies, public sector, creative and public organizations that chose the green course were rewarded. The awards were presented in six categories: "Greenest Municipality", "Greenest Start-up for Mobility", "Green Exports", "Design Solutions for Better Connectivity and Intersectoral Cooperation", "Promoting Sustainable Mobility" and "Digital Transport and Logistics Solution".

For those interested in railway transport engineering, planning, innovation, virtual design, construction, environmental protection and other issues related to the project Rail Baltica, RB Rail AS organizes the Rail Baltica Academy every year for students and the public. LTG Infra team members regularly participate in the initiative and present the project goals and news. Sharing expert experience is one of the tasks set by the LTG Infra team responsible for the implementation of this strategic project in Lithuania.

LTG Link continuously implements solutions promoting travelling by rail and, thus, contributing to reduced environmental impact of transport sector. During the summer season in 2021, the Company continued **organising the routes of the Seaside Express** that allow passengers to travel to the seaside in a convenient and safe way; it is possible to travel from the capital to Kretinga or Klaipėda by rail and to continue the trip to the resort by specially provided buses. During the Christmas period, the Company also proposed to travel by festive trains – two trains travelling on the routes Vilnius-Kaunas-Vilnius and Vilnius-Klaipėda-Vilnius were decorated with festive decorations. It has been estimated that this project, which has come to public attention, has attracted almost 32 thousand passengers to the festive trains, and it has encouraged almost 6 thousand people to change their own vehicles to trips by trains. In spring – summer of 2020, LTG Link initiated a campaign **'Žalumo LINK'** which has communicated an important message to both loyal and potential customers: if you travel by train without a trace of pollution, you contribute to reduction of the effects of climate change.

CUSTOMER SATISFACTION

LTG Link aims at meeting customer needs; thus, it proactively measured the Net Promoter Score (NPS) and the Customer Satisfaction Score (CSAT). The aim of those surveys is to directly receive customers' needs and expectations.

According to the results of the surveys conducted by LTG Link for the fourth year, **customer satisfaction equals to 84%, and recommendations – 62%**. Taking into consideration the results, the actions of improvement of customer satisfaction have been taken, including solutions ensuring better wireless internet connection in trains and more convenient journeys by adjusting part of trips of an annual schedule. Constant measurement of customer satisfaction also helps to assess operating areas for improvement and to look for solutions how to improve such facilities as informing of customers, etc. Taking into consideration customers' needs, a public procurement for acquisition of modern and comfortable trains has been already started. In addition, the Company is actively enhancing customer service culture on trains and in stations. The Company seeks for travel attendants to be constantly assisting and attentive to people during the entire trip. The survey results indicate that the service quality indicator is consistently increasing – in 2021, it was equal to 9.6 points (it has increased by 0.5 points since 2020).

In order to maintain transparent relationship with customers and consult them, LTG Link has established the **Customer Information Centre**. During 2021, almost 70 thousand calls were answered, more than 3.6 thousand email requests and approximately 600 messages on the Facebook app were responded. A total customer evaluation after the call is equal to even 4.93 points out of 5.

ENSURING OPPORTUNITIES FOR PEOPLE WITH INDIVIDUAL NEEDS

LTG Link actively promotes social dialogue with people with individual needs. Meetings with organizations uniting people with individual needs and representatives of the Ministry of Transport and Communications of the Republic of Lithuania were organised on a quarterly basis. During them, the progress of the implementation of the project "Adaptation of railway services according to the principles of universal design", the status of the activities of LTG Link and the upcoming works related to the project were discussed. During the meetings and the whole project, a dialogue is maintained with the organizations participating in the project, the aim is to take into account their recommendations.

In order to ensure and meet the needs of all passengers, a public procurement of new electric trains has been started. It is expected that the new CO₂-free trains will complement the Company's train fleet by the year 2025. The renewal of the train fleet is one of the most important priorities of the Company, which will enable ensuring green and sustainable mobility more efficiently. They will be in compliance with high requirements of sustainability, long-term operation and convenience for all passengers, including persons with individual needs.

When preparing documentation for public procurement, the Company actively consulted with a variety of organizations uniting persons with individual needs, and the acquired trains will have to meet all the requirements established in the [Commission Regulation \(EU\) No 1300/2014 on the technical specifications for interoperability relating to accessibility of the Union's rail system for persons with disabilities and persons with reduced mobility](#).

In 2021, LTG Link joined the global [Hidden Disabilities Sunflower initiative](#). This year, it has been cooperated with the Lithuanian Association of the Blind and Visually Handicapped (LASS) regarding compliance of passenger stations marking for customers with individual needs.

In June 2021, LTG signed a memorandum initiated by the Ministry of Transport and Communications on the adaptation of vehicles and transport physical and information infrastructure to people with individual needs.

Members of the PRM project of LTG Link have participated in an organised trip "[PRM: Experiential Journey by Train](#)", aiming at experiencing and evaluating adaptability of infrastructure and services provided by LTG Link for persons with individual needs and with reduced mobility. Observations made during the trip have been submitted to managers of the responsible divisions with a commitment to remove obstacles faced by passengers.

Sixteen sign-language educational videos were produced in cooperation with the Lithuanian Deaf Youth Association (LKJA) for the service staff of LTG Link.

A new standard for train marking of trains owned by LTG Link has been developed taking into account suggestions from persons with individual needs.

PROGRAMS TO PROMOTE SAFE BEHAVIOUR

LTG Link contributes to the initiatives for promotion of safe behaviour of the LTG Group; e. g. the Company contributes to the campaign of the subsidiary of LTG - LTG Infra - on safe behaviour at railway crossings continued together with the special [educational program "Safe Rails"](#). Taking care of safety of people, LTG Link carried out active communication regarding application of preventive measures against COVID-19 on trains and in stations.

COMPREHENSIVE SECURITY

LTG Link as well as all the LTG Group companies aim to eliminate accidents through sustainable, digitization and other appropriate measures, and various training programmes are carried out. The aim is to preserve the capacity, health and life of employees at work and protect employees from existing or potential risks to the protection of professional and personal data. A priority shall be given to the road safety in order to protect road users and passengers, and luggage from rail traffic accidents, unauthorised interference and related consequences; this results in centralised safety management, audits of elements of the management system, road safety inspections and other measures that meet the highest standards.

An important part of comprehensive security is the timely identification and management of the protection of objects important to the national security of the state and the risk factors that may pose a threat. As a result, LTG Link and the LTG Group seek to ensure the transparency of transactions and their compliance with the national security interests, responsibly manage critical information systems and ensure data security. All this is done through the dissemination of information and educational, organizational, technical measures to prevent cyber incidents.

DATA PROTECTION

LTG Link cares about protection of personal data and values the information that it is entrusted to by its employees, customers and partners. In doing so, the Company strictly follows the requirements of the General Data Protection Regulation and other data protection legislation for the protection of data subjects.

In order to implement the requirements of data protection legislation, in 2021 in the field of data protection the Company:

- was concerned with employees' [awareness of personal data protection](#) issues. Data protection training was organised for the Company's employees and data protection memos were sent, which provided essential information on data protection;

- updated internal legal acts, process standards, privacy notices related to the field of personal data protection applied by it;
- prepared new internal legal acts applied by it, process standards, privacy notices related to the field of personal data protection;
- paid a lot of attention to the review and updating of its mandatory data processing activity records, involving the responsible employees of the Company in the ongoing processes;
- in order to comply as far as possible with the requirements of the General Data Protection Regulation, identified data protection risks and put measures in place to mitigate these risks;
- in order to ensure compliance with the requirements of the General Data Protection Regulation, data processing operations were subject to data protection impact assessments, balances of legitimate interests, conclusions, identified risks and risk mitigation measures, as appropriate.
- enters into standard data processing and data transfer agreements with data controllers and co-controllers;
- provided recommendations and consultations to its employees regarding the performed data processing operations, legal acts, agreements, compliance with the General Data Protection Regulation and other legal acts regulating the protection of personal data;
- received requests of 14 persons for the exercise of their rights under the General Data Protection Regulation. All requests of data subjects were implemented over the period of 30 days, and the possibility of extending the period of request implementation for an additional period of 2 months, established by GDPR, was not exercised.
- There were no personal data breaches recorded in the Company.

OCCUPATIONAL SAFETY AND HEALTH

The most important goals in ensuring the safety and health of employees (hereinafter - OSH) are strengthening of the leadership and culture of employees of LTG Link and improvement of the processes and measures regulating the safety and health of employees in order to reduce the risk of employee health damage and events.

To achieve an independent corporate safety culture, LTG Link's activities are standardised and organised in line with the PDCA elements (plan-do-check-adjust), while additionally enabling the leadership of each employee and ensuring social dialogue, allocation of duties, rights, and responsibilities in the area of safety.

Management of OSH risks in 2021



Following the management guidelines 'Occupational safety and health management systems. Requirements and application instructions' contained in standard ISO 45001:2018, we ensured the implementation in daily activities of the methodology for ensuring occupational safety and health, along with the processes ensuring safe and healthy conditions (instructing, occupational risks assessment, selection and provision of personal protection measures for employees, alcohol testing, management of accounts-permissions etc.), and ensured the compliance of legislation of LTG Link on occupational safety and health with the set requirements.

For the development of a social dialogue between the employer and employees, employees' representatives for safety and health elected by the companies are cooperated with on the Microsoft Teams platform, as well as are the members of the Committees of employees' safety and health – they are notified of employees' safety and health indicators, the progress of implementation of preventive measures and recommendations.

In 2021, the **Management's handbook for safety** was prepared for the practical use of LTG Link's unit managers, and **Safety forums** took place, **Safety academies** were held with the participation of all the Group's employees where the following topics were introduced: hearing protection and exposure to noise, respiratory protection, protection against falls from a height, head protection and the importance of wearing PPE (Personal Protective Equipment), eye and face protection, management of psychosocial risks, prevention of suicide in the immediate environment and other relevant topics.

Management and improvement of employee safety competencies has been ensured, the **Safety Competence Matrix** of LTG Link has been updated. LTG occupational safety and health specialists periodically taught 7 occupational safety and health training programmes in a remote manner (compulsory first aid, manual handling, work height, department heads, occupational safety and health representatives, etc.). In 2021, employees of LTG Link participated in trainings related to safety and health for 824 times (whereof, trainings for unit managers - 11 times, for employees' representatives for safety and health - 1 time, before starting precarious works - 218 times, and other trainings on occupational safety and health issues - 594 times).

Prevention of work-related incidents, accidents at work and on the way to and from work, health disorders and occupational diseases is carried out by LTG Link, and all incidents are investigated. Employees of LTG Link **are additionally insured** against accidents at the employer's expense.

In order to create safe and healthy conditions, a sufficient number of occupational safety and health and occupational health specialists is ensured, plans for occupational risk assessment, inspection of departments, contractors and clients are drawn up, and after their implementation, preventive measures are implemented and monitored. **Standardization and digitisation of inspection questionnaires** has ensured proper data management and analysis.

In 2021, LTG Link implemented the **Global Instruction**, during which employees were mandatorily instructed periodically at workplaces, thus eliminating the risk of work without being instructed, enabling them to instruct remotely and sign electronically. Changes were actively made to the relevant legislation: the initial instruction process, the **instruction assignment matrixes** created by LTG Link were renewed, 15 instructions on occupational safety and health at work, instructions on the work equipment were updated, ensuring their compliance with the Machinery Directive.

The process of preventive periodic health examinations of employees and candidates was ensured. After taking over this function from the Personnel Management, the legal acts regulating the process were amended accordingly, the conclusion of new preventive health examination contracts was initiated. Depending on the influenza **vaccination service** available on the market, an influenza vaccination service and a tick-borne encephalitis vaccination service were organised.

Upon preparation of all necessary documents for the procurement, the update of sobriety testing process and the principles of work, acquisition of new alco-testers with the function of biometric identification has been initiated.

In order to avoid work-related musculoskeletal disorders, **assessment of ergonomic risk factors** of 128 workplaces **was updated** in 2021.

In 2021, a strong focus on **assessing and managing the psychosocial risks** of workers: an assessment of the psychosocial risks of 373 workers has been updated.

Employees have **a free access to psychologists** at work in case of a psychological trauma after an accident or incident.

COVID-19 related situation under management:

- The prevention of COVID-19 is ensured by the group of the management of extreme situations formed by LTG;
- The possibility to work remotely considering the professional risks of remote works, business continuity was ensured;
- Vaccination of employees from COVID-19 in cooperation with vaccination busses was organised, the total **level of immunization of UAB LTG Link employees is around 96%**;
- a risk assessment of biological factors has been performed;
- The behaviour of employees was regulated, isolation was ensured, leaflets, posters, information on safe behaviour were prepared and are available on internal website of LTG;
- Employees were given personal protection measures for COVID-19 prevention, thermometers and thermovisors were acquired to measure the body temperature of employees and third persons;
- Periodic inspections were carried out on implementation of COVID-19 prevention.
- seeking to improve communication with personnel and heads of units, consultations on vaccination, testing and work organization are carried out through specially designed channels on the Microsoft Teams platform, which includes members of the Occupational Safety and Health Committee and representatives.

All employees are provided with high-quality collective and **personal protection measures**, ensuring rental services of work clothing with periodical cleaning and repairing, acquisition of work footwear and other personal protection measures. In 2021, the Company's lists of personal protection measures were updated, performance of public procurement was ensured guaranteeing an uninterrupted provision of personal protection measures to employees. Employees are involved in decision making with regard to selection and procurement of more convenient personal and other protection measures.

We cooperate with contractors, customers, suppliers of goods, providing information on risk factors and ensuring mandatory safety requirements when providing services/goods in the territory of UAB LTG Link, we control the implementation of safety provisions provided for by the agreements.

Seeking to provide clear and relevant information and documents related to the occupational safety and health to all employees, a column of the Occupational Safety and Health was created on the internal website of the LTG Group.

TRAFFIC SAFETY

The vision of LTG Link in the field of traffic safety is simple and all-encompassing – 0 (zero) incidents, i.e. safe society and company without any railway catastrophes, accidents and incidents.

In 2021, in order to ensure high level of the railway traffic safety, LTG Link identified relevant safety objectives focused on the highest operational risks, developed and implemented a comprehensive plan of measures to achieve them.

In 2021, LTG Link paid much attention to raising the safety awareness of employees, thus fostering an integrated safety culture model. A safety culture reflects the interaction between the requirements of a safety management system and how people make sense of them and implement them based on their attitudes, values and beliefs, how they behave and what decisions they make in their daily activities. A positive safety culture is characterised by a shared commitment by all employees to behave safely at all times.

For the first time, LTG Link employees had the opportunity to participate in the survey on the level of safety maturity of all railway companies (carriers), infrastructure managers, safety authorities and other companies / institutions / organizations involved in railway transport in the European Union, organised by European Union Agency for Railway. Taking into account the results of the survey on the maturity level of safety culture carried out, the elements of the safety culture to be improved were identified and an action plan was prepared for further fostering of the safety awareness of the employees.

In addition, in order to foster a positive safety culture, in 2021 LTG Link:

- organised security academies on a quarterly basis, during which educational meetings were held with LTG security experts and guest speakers to present safety advice and solutions to the most important safety-related issues, discussing security issues for employees - from cyber security to health assurance;
- developed a safety ambassadorship, during which employees are consulted rather than inspected, the dangers related to traffic safety in structural units are studied and the aim is to reduce them;
- Prepared a safety book for managers, which summarizes the functions of managers in the field of safety, providing what each manager must know in each safety area, together with relevant references to the most important safety documents;
- Rewarded employees who made the greatest contribution to improving safety through their personal contributions.

In 2021, LTG Link paid no less attention to standardisation and improvement of activities and procedures related to traffic safety.

- The traffic safety management system and related procedures has been updated;
- Traffic organisation instructions of access roads have been updated and standardised;
- Technical maintenance activities of railway rolling stocks have been updated and started to be certificated, technical maintenance system has been updated;
- Employees have been unanimously introduced to documentation related to traffic safety;
- Update of the train Driver's Rule Book has been carried out.

In order to ensure the compliance of LTG Link's activities with the established requirements and continuous improvement, other measures were implemented to eliminate or reduce the greatest threat to road safety risks to the lowest acceptable level (ensured competence of employees and organised periodic training, employees are regularly informed about events and trained on how to avoid them, etc.), targeted inspections of railway traffic safety and periodic audits of the elements of the railway traffic safety management system are carried out, continuous, based on safety indicators, monitoring of the state of growth took place in order to proactively prevent railway accidents, railway traffic accidents, railway traffic incidents and their consequences, and investigate them in order to prevent the recurrence of similar events in the future.

GOVERNANCE AREA

As a subsidiary of LTG Group, LTG Link forms the area of governance in accordance with the general policies and principles of LTG Group. The LTG Group in turn has successfully transformed the corporate governance of the Group companies and is constantly striving to improve its governance. In order to achieve long-term value growth, rational and efficient use of funds, assets and other resources, fulfilment of shareholder's expectations and interests of LTG Group companies, the corporate operating model is focused on refining and concentrating core activities in subsidiaries.

The LTG Group follows a clear and transparent operating architecture aimed at the implementation of long-term and short-term strategic goals of LTG, interoperability and possible synergies. The company receives positive assessments of its management from the Management Coordination Centre and is constantly responding to recommendations on how it can further improve its performance in this area. State capital and strong relationship with the state reduce the risk of defaulting of LTG Link or the LTG Group.

CREATING LONG-TERM VALUE FOR THE STATE AND SOCIETY

LTG Link is focused on creation of value for the state and the society in accordance with the principles of the LTG Group. The Company aims to be a competitive, growing company that generates sustainable returns for its shareholder and creates long-term value for the society. In LTG Group, investments are focused on creation of long-term value, sustainable borrowing resources are used for strategic projects and the aim is to ensure the necessary financial resources, the financial ratios required for borrowing at the lowest cost and stable financing for long-term projects. LTG Group also pays much attention to creation of socio-economic value for the society: following the principles of sustainability, measures are consistently implemented to promote sustainable mobility of citizens, increase convenience and use more sustainable means of transport, constantly reduce the negative impact on the environment and society.

Corporate governance is understood as a set of general rules, principles, practices and processes applied in LTG Group, according to which the Group companies, including LTG Link, are managed and controlled. The corporate governance of the Group is exercised by LTG as a parent.

In order to achieve long-term value growth, rational and efficient use of funds, assets and other resources, fulfilment of shareholder's expectations and interests, the Group's operating model focuses on refining and **concentrating the core activities in subsidiaries** (including LTG Link) and streamlining, standardising and providing centralised services to the Group companies.

LTG Group pays a considerable attention to creation of social return to the society: in accordance with the principles of sustainability, measures are consistently implemented to facilitate citizens' mobility, increase convenience and promote more sustainable modes of transport, constantly reduce the negative impact on the environment and society, thereby contributing to increasing welfare of the society and strengthening of citizenship.

LTG Link sets ambitious investment goals in its Strategy. By the year 2040, the Company plans to make significant investments in the businesses it is developing and aims to become one of the leaders in sustainability in the region, thus making a significant contribution to achieving the goals of the European Green Agreement. For the past 5 years, LTG Link has not invested in projects that would worsen the climate situation or pose risks related to climate change in the future. The Company is planning a number of investment projects that will further significantly reduce the impact on the climate and the environment in the future (purchase of electric trains, renovation of other assets).

In 2021, LTG Group started initiating **green public procurements** encouraged by the state. Procurement projects include a requirement that purchased goods were more environmentally friendly, more sustainable than standard analogues, or that the service provider was certified to comply with international standards. Both LTG Link and the LTG Group have already managed to achieve that 10% of the value of all procurements in 2021 would meet the requirements of Green Procurements, which exceeds the requirements of the state (10% in the second half of the year). It is planned that in a few year time all public procurements of the LTG Group will comply with the requirements of Green Procurements.

ENSURING BUSINESS CONTINUITY AND RISK MANAGEMENT

LTG Link pays special attention to preventive and timely risk identification and management, therefore a unified and standardised risk management system and processes are implemented, which are integrated into key activities and decision-making. The importance of LTG Link and the entire LTG Group's activities for the state and society is recognised, therefore complex business continuity assurance mechanisms (business continuity plans, exercises, testing etc.) are being developed and applied to ensure continuous operations. Focus is placed on the ability to apply risk management practices and sharing the best practices with other organizations.

PREVENTION OF CORRUPTION AND BRIBERY

Management of prevention of corruption and bribery in LTG Group is centralised. Therefore, policies and regulatory documentation related to this area that are relevant to the Group are also applicable to all subsidiaries. LTG Link applies the **principle of zero tolerance for corruption**, which means that the company does not tolerate any form of corruption.

In its activities, the Company implements a set of measures and processes aimed at forming a transparent and smoothly functioning company with an impeccable reputation. In order to create an environment resilient to corruption, internal legal acts are constantly reviewed, which are synchronised with international and national legal acts, as well as the legal basis of the Ministry of Transport and Communications of the Republic of Lithuania (hereinafter – MoTC). The expectation of MoTC, as a shareholder, to act in a transparent manner, is adhered to.

After performing a **Security Test** in the end of 2021, the level of resistance to corruption in the area of management of the Minister of Transport and Communications in LTG Group was 70 points (maximum number of points - 70). The implementation rate of the corruption prevention plan is 92.86% (all planned measures were implemented except for one that was not relevant to provision of support).

On 25 May 2021, a **cooperation agreement was signed with Special Investigation Service**, which provides for methodological assistance in strengthening the anti-corruption environment of LTG Group.

In addition to the existing legal base, in 2021 the following targeted legislation of the LTG Group that is also applicable to LTG Link was prepared/updated:

- Principles of working in LTG Group;
- Description of the procedure for the administration of the Group's internal information channel on violations (protection of whistle-blowers);
- Procedure for performing probabilities of corruption within the LTG group;
- Rules for the administration of the trust line of the Group companies;
- Standard of the process of verification and/or investigation of the received information;
- The standard for the process of administering gifts received, delivered, or refused by employees;
- Methodology of giving and receiving gifts of the Group companies.

Fair and responsible behaviour in the company is expected of all employees. In their daily work, everyone is introduced to the targeted legislation governing the development of a resilient environment, and it is important for employees to adhere to the ethical principles set out in the approved **Code of Ethics for Employees**. Transparency requirements are also imposed on business partners who are acquainted with the provisions of the approved Supplier Code of Conduct. The internal or individual chain of internal anti-corruption audits is carried out periodically. In 2021 an internal audit of the fraud investigation was carried out.

LTG Link is committed to ensuring the **declaration of public and private interests and the management of conflicts of interest**. Therefore, employees who are obliged to submit declarations of private interests in accordance with the procedure established by the Law on the Coordination of Public and Private Interests of the Republic of Lithuania, employees who do not have this obligation declare private interests in the employee self-service module ManoLTG. In the interest of objectivity and transparency in decision-making, the procedures for preparing, considering or adopting decisions on the removal and removal of staff from decisions which may give rise to a conflict of interest shall be addressed. Employees can opt out of decisions that are in conflict with their interests using the operational electronic functionality installed in 2020 and operating onwards.

In 2021, the LTG Group (including LTG Link) approved the **Gift Acceptance and Delivery Methodology**, which obliges to adhere to the zero gift policy, and the provision and/or acceptance of gifts is allowed only in the cases provided for by this methodology. The application of the Methodology is aimed at strengthening the resilience of LTG Group and its employees to corruption, ensuring the legitimacy of the actions of employees, and the consistency of public and private interests. All received and delivered gifts are entered in the Gift Register created in 2021 in accordance with the provisions of the standard of the process of administration of gifts received, delivered and refused by employees. Great attention was paid to communication to all employees regarding the treatment of gifts. A memorandum with practical examples for employees of how to behave having received, given or refused gifts was also prepared.

LTG Link complies with the legal requirements for checking the **compliance of recruited persons** and assessing them in terms of good reputation. At the same time, the company is demanding of its partners - the solvency and reputation of the business partners are analysed and assessed, in order to identify the risks that may arise due to the business partners. Actions to minimize potential risks are analysed periodically.

To promote responsibility and activity of employees and other persons, LTG Link enables them to **report anonymously about violations of corruptive nature** through the following reporting channels (tel. No. (8 5) 269 3600, e-mail prevencija@bekorupcijos.lt, report on the website <https://www.litrail.lt/en/korupcijos-prevencija>). In 2021, a new whistle-blower protection channel praneseju.apsauga@ltg.lt was introduced. Furthermore, in accordance with Directive of the European Parliament and of the Council on the protection of whistle-blowers and the Law on the protection of whistle-blowers of the Republic of Lithuania, the internal legal framework was developed.

Pursuant to the provisions of the Law on the Protection of Objects Important for Ensuring National Security of the Republic of Lithuania, inquiries are submitted to the Coordination Commission for Protection of Objects Important for National Security and the Ministry of National Defence of Lithuania regarding compliance of initiated procurements, intended transactions or significant amendments to the transactions which have already been concluded with the interests of national security.

On a yearly basis, the Company conducts a targeted **employee survey on resistance to corruption**. The opinion of each employee matters and helps to strengthen the transparency of the company's activities. The purpose of the survey is to determine the attitude of employees towards corruption, find out their position on possible occurrence of corruption in the company Group, identify employees' knowledge about the measures taken by the Group to prevent corruption.

The results of surveys conducted in 2018-2021 show that the level of integrity and awareness of the LTG Group's employees not to offer illegal remuneration/gifts is extremely high and employees rarely face corruption in their activities.

	2018	2019	2020	2021
Respondents, number	569	757	1,299	1,285
Employees who consider their workplace as not affected by corruption, %	86.1%	91.0%	91.5%	93.5%
Employees who are aware of how to report a case of corruption, %	70.8%	71.2%	72.1%	80.1%

Involvement of employees in corruption prevention activities is also improved by other means, such as **educating them about corruption prevention** - employees actively participate in trainings organised by the Security Academy, independently strengthen their knowledge in e-trainings, the most important documents regulating this activity are periodically introduced to them, trainings are organised in cooperation with the Special Investigation Service, the Prosecutor General's Office of the Republic of Lithuania and other institutions, and other educational measures are implemented. Representatives of the Group participate in the events of the Transparency Academy of the Special Investigation Service (teach, mentor etc.), in 2021 a great deal of attention was paid to internal communication seeking to notify employees of innovations and implemented functionalities.

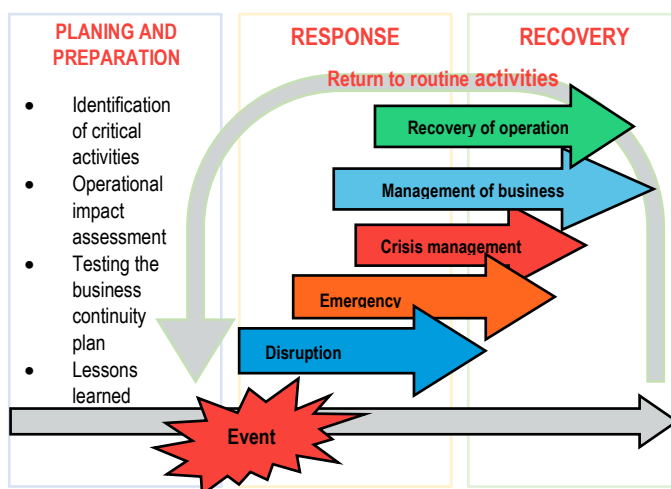
In 2021, attention was also paid to the provisions of the new Law on the Prevention of Corruption of the Republic of Lithuania. There **was a structural change** in respect of direct subordination of the unit, responsible for creating a resilient environment, to the CEO of the LTG Group; the drafting of new legislation in line with the amendments to the said law was started; the introduction of new elements of a corruption-resistant environment was planned.

In 2021, LTG Group completed the necessary steps to implement the Standard and it will seek **ISO 37001: 2016** certification after receiving an external evaluator's assessment of the measures of the implemented anti-corruption management system.

More information on the prevention of corruption and bribery of the Group is available in LTG Group's report on the prevention of corruption in 2021, which is prepared annually.

PRINCIPLES OF WORK ETHIC

As a result of the pandemic, new living and working habits were shaped for many people, so the employees of LTG Link quickly learned to work flexibly, often remotely, trusting each other and organising their work to achieve their goals effectively. In order to respond to the changes in the rules of procedure, in 2021 the rules of procedure of LTG Link and the LTG Group previously in force were revised, which are to come into effect as of 1 January 2022, and they are called Work Principles in LTG. The Work Principles in LTG are a document defining the daily behaviour of employees, the principles of work ethic, safety and health requirements, other rights and responsibilities, and liability for improper performance of duties, which will guide all employees of the Group in their work.



GOING CONCERN

Management of business continuity is one of the **risk management** subsystems of LTG Link, the purpose whereof is to ensure that regardless of the scale of the event (disruption, emergency, crisis) during which operations may be disrupted or completely suspended, LTG Link was able to meet its obligations to customers and to the shareholder.

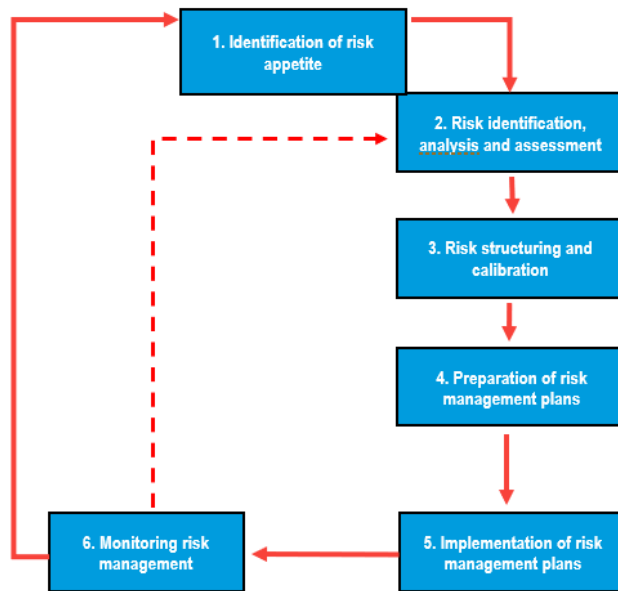
In order to achieve this goal, LTG Link and the LTG Group are implementing a consistent, systematic and standardised business continuity management model. It consists of three integral stages: planning and preparation (preparation of plans, implementation of preventive measures), response (response to disruption) and recovery (return to routine activities)

The business continuity model is established in the Business Continuity and Crisis Management Methodology developed in 2021 and detailed in procedure standards, which are based on the international **standard ISO 22301** applicable to these activities and good practices of large companies.

RISK MANAGEMENT

LTG Link implements and continuously improves the **unified risk management system of LTG Group**. It is defined in LTG Group's risk management policy, methodology and procedure standards, which are based on the international standards ISO 31000 and COSO ERM (Committee on Sponsoring Organizations of the Treadway Commission, Enterprise Risk Management) and best practices.

Risks of LTG Link and the LTG Group are managed in stages. The overall periodic cycle consists of the following steps:



- 1 Identification of risk appetite;
- 2 Risk identification, analysis and assessment;
- 3 Risk structuring and calibration;
- 4 Preparation of risk management plans;
- 5 Implementation of risk management plans;
- 6 Monitoring risk management.

The level of identified risks is assessed by determining their likelihood and potential impact (assessing financial, legal and reputational impact) and assigning them to one out of four risk categories (strategic, operational, financial, compliance risk). In this context, risk owners are selected for each of the risks and management/mitigation actions are required. The dynamics of risks and the progress in implementing the measures are monitored periodically on a quarterly basis.

In LTG Link and within the Group, risk management responsibilities are divided according to the **Three Lines of Defence model**.

According to it:

- 1st line risk management activities are performed by LTG Group companies (including LTG Link) and LTG corporate functions, which identify, assess and manage risks;
- 2nd line risk management activities are performed by the LTG Risk Management, which develops and improves the overall system and performs coordination and control activities;
- 3rd line risk management is performed by the Internal Audit Division of LTG, which carries out an independent assessment of the effectiveness of risk management level 1 and 2, and provides comments and recommendations.

It is important to emphasize that both managers at various levels and collegial bodies are actively involved in risk management practices. The Group has the **Risk Management Committee**, which calibrates risks and refines risks that are relevant at the Group level.

The periodic and timely dissemination of risk-related information is ensured by a well-established reporting system. The risk management status of each of the companies is reviewed on a quarterly basis in reports submitted to the boards of the companies and the Group. The Board of the Group is informed on a monthly basis about the risks exceeding the appetite. Such a cyclical system not only helps to monitor the status of identified risks, but also provides with an opportunity to discuss the occurrence of new ones.

Risk management activities are receiving increasing attention and importance. One of the important steps to ensure this was a **change in the structure of the risk management function** implemented in 2021. The function is now reporting directly to the Group CFO, thus ensuring direct reporting channels. The risk management team (line 2 of defence) is also strengthened by competent experts.

INFORMATION ON THE COMPLIANCE WITH THE GUIDELINES ON TRANSPARENCY

In disclosing the required information in annual and interim reports and on its website <https://www.litrail.lt/594>, the Company follows the requirements of the *Description of the Guidelines for Ensuring Transparency of State-Owned Enterprises* approved by Resolution No 1052 of 14 July 2010 of the Government of the Republic of Lithuania (the Description).

STRUCTURED INFORMATION ON COMPLIANCE WITH THE TRANSPARENCY GUIDELINES

Point of Description	Description provision	Yes/No
	Disclosure of the Company's information	
5.	The following data and information must be announced in the internet website of a state-owned enterprise:	-
5.1.	Name;	Yes
5.2.	Code and register, where data about the company is filed and stored;	Yes
5.3.	headquarters (address);	Yes
5.4.	Legal status, if a state-owned enterprise is under reformation, reorganization (indicate the way of reorganization), liquidation, is becoming or has become bankrupt;	Legal status not registered
5.5.	The name of the institution representing the State and a link to its website;	Yes
5.6.	Operating goals, vision and mission;	Yes
5.7.	Structure;	Yes
5.8.	Data about the head of the enterprise;	Yes
5.9.	Data about the chairman and members of the Board, if formed according to the Articles of Association;	Yes
5.10.	Data about the chairman and members of the Supervisory Council, if formed according to the Articles of Association;	The Supervisory Council is not formed
5.11.	Names of committees, if formed; data about their chairmen and members;	Disclosed in the website of the parent company LTG
5.12.	The sum of the nominal values of the state-owned shares (in euro to the nearest euro cent) and the share (in percentage) in the authorised capital of the state-owned enterprise;	Yes, information on shares is disclosed with regard to the parent company
5.13.	The performed special obligations that are determined as to recommendations approved by the Minister of Economics and Innovations of the Republic of Lithuania: the purpose of the special obligations, state budget appropriations allocated their implementation in the current calendar year and the legal acts entrusting the state-owned enterprise with the performance of the special obligation, the conditions for fulfilment of the special obligations and (or) regulatory pricing;	Yes
5.14.	Information on social responsibility initiatives and measures, important ongoing or planned investment projects.	Yes
6.	In order to ensure publicity regarding the professionalism of the management and supervisory bodies as well as the members of the committees, formed in a state-owned enterprise, the following data of the persons referred to in sub-points 5.8 – 5.11 of the Description shall be published: name, surname, commencement date of current duties, other current managerial positions in other legal bodies, education, qualification, professional experience. If the person stated in sub-points 5.9 – 5.11 of the Description has been elected or appointed as an independent member, this information should be additionally disclosed under his data.	Yes
7.	The following documents shall be announced in the website of a state-owned enterprise:	-
7.1.	Articles of Association;	Yes
7.2.	Statement from an institution representing the State regarding the establishment of the goals and expectations of the State in a state-owned enterprise;	Yes

Point of Description	Description provision Disclosure of the Company's information	Yes/No
7.3.	The business strategy or a summary thereof in cases where the business strategy contains confidential information or information which is considered a commercial (industrial) secret;	Yes
7.4.	Document establishing the remuneration policy, setting out the remuneration of the head of a state-owned enterprise and the remuneration of members of collegial bodies and committees formed in a state-owned enterprise, as detailed in the Code of Corporate Governance;	Yes
7.5.	Annual and interim reports of a state-owned enterprise, annual and interim activity reports of a state-owned enterprise for a period of at least five years;	Yes
7.6.	Annual and interim financial statements and auditor's reports on annual financial statements for a period of at least five years;	Yes
8.	When a state-owned enterprise is a parent company, the structure of the group of companies is to be published on its website as well as the information of its subsidiaries and further subsidiaries as specified in Clauses 5.1–5.3 of the Description, the website addresses, the share (percentage) of the share capital owned by the parent company in their authorised capital, and consolidated annual reports.	No, because LTG Link does not have subsidiaries. Structure of LTG company group is disclosed on the website of LTG.
9.	When a state-owned enterprise is a participant of legal entities other than those specified in Clause 8, the details of these legal entities specified in Clauses 5.1–5.3 of the Description as well as their website addresses must be posted on its website.	-
9 ¹ .	When a company is a subsidiary or a subsequent subsidiary of a state-owned enterprise, the details of its parent company specified in Clauses 5.1–5.3 of the Description as well as the link to the parent company's website must be published on its website.	Yes
10.	If details specified in Clauses 5, 6, 7.1–7.4, 8, 9 and 9 ¹ of the Description change or are found to be false, information and documents must also be immediately corrected on the website.	Yes
11.	A set of annual financial statements of a state-owned enterprise, an annual report of a state-owned enterprise, an auditor's report on the annual financial statements of a state-owned enterprise must be posted on the website of the state-owned enterprise within 10 business days after their approval.	Yes
12.	Sets of interim financial statements of a state-owned enterprise, interim reports of a state-owned enterprise must be posted on the website of the state-owned enterprise within 2 months after the end of the reporting period.	Yes
13.	Documents specified in Clause 7 of the Description must be posted in the PDF format with the option of printing.	Yes
Preparation of sets of financial statements and reports		
14.	State-owned enterprises maintain their accounts in a manner that ensures the preparation of financial statements in accordance with international accounting standards.	Yes
15.	In addition to a set of annual financial statements, a state-owned enterprise must prepare a set of interim financial statements for periods of 6 months.	Yes
16.	A state-owned enterprise, considered to be a public interest company in accordance with the Law on the Audit of Financial Statements of the Republic of Lithuania, apart from the annual report must additionally prepare a 6-month interim report.	Yes
17.	The following additional details must be provided in an annual report of a state-owned enterprise or an annual activity report of a state enterprise:	-
17.1.	A short description of the operating model of the state-owned enterprise;	Yes
17.2.	Information about major events, which had occurred during a fiscal year and later (prior to the preparation of the annual report or the annual activity report) and which were of primary importance to the activities of the state-owned enterprise;	Yes
17.3.	The results of implementation of the targets specified in the established business strategy of the state-owned enterprise;	Yes
17.4.	The profitability, liquidity, assets negotiability, and debt indicators;	Yes

Point of Description	Description provision Disclosure of the Company's information	Yes/No
17.5.	The fulfilment of the specific obligations;	Yes
17.6.	The implementation of the investment policy, planned investment projects and investments as well as those under implementation during the reporting year;	Yes
17.7.	The implementation of the risk management policy applicable at the state-owned enterprise;	Yes
17.8.	The implementation of the dividend policy at state-owned enterprises;	Yes
17.9.	The implementation of the remuneration policy;	Yes
17.10.	The total annual payroll fund, the average monthly salaries according to the positions held and (or) divisions;	Yes
17.11.	Information on the compliance with the provisions of Chapters II and II of the Description, including the information on how they are being implemented, what provisions have not been complied with and why.	Yes
18.	State-owned enterprises, which are not imposed a duty to prepare a social responsibility report, are recommended to respectively provide information in their annual reports on the issues of environment protection, social and personnel-related issues, the protection of human rights, anti-corruption and anti-bribery measures.	Yes
19.	If the information specified in Clause 17 of the Description is considered a commercial (industrial) secret or confidential information of a state-owned enterprise, the state-owned enterprise is entitled not to disclose such information; however, it must specify in its annual report or the annual activity report that this information is not being disclosed and specify reasons for nondisclosure.	Yes
20.	Other information not specified in the Description may be provided in an annual report of a state-owned enterprise.	Yes
21.	A state-owned enterprise, which is a parent company, must provide the structure of the group of companies, the details of each subsidiary and secondary subsidiary specified in Clauses 5.1–5.3 of the Description, the equity interest in the subsidiary (the percentage share), the financial and non-financial performance results of a fiscal year in its consolidated annual report, and if it is not obliged to prepare a consolidated annual report, in its annual report. If a state-owned enterprise, which is a parent company, prepares a consolidated annual report, the requirements of Clause 17 of the Description apply to it <i>mutatis mutandis</i> .	No, because LTG Link is not a member of other legal entities
22.	An interim report of a state-owned enterprise or an interim activity report of a state enterprise must contain a short description of the operating model of the state-owned enterprise, the analysis of financial performance for a reporting period, information on major event, which had occurred during the reporting period, and also profitability, liquidity, assets negotiability, debt indicators and their changes in comparison with the respective period of the previous year.	Yes